Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel Shk3.30	S.Arabia Rls7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.90	Japan Y600	Spain Pta145
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt E£2.25	Kuwait Fils500	Sweden SKr9.00
Finland Fmk7.00	Lebanon $1,125.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan NT$65
Germany DM2.30	Malaysia Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.600
Hong Kong HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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CZECH REFORM

Time-bomb ticks away under Prague

Page 20

World News

Death toll in China earthquake reaches 600

The death toll from an earthquake in China on Sunday has climbed to more than 600, state radio said. The quake, measuring 7.6 on the Richter scale, was in Yunnan province on the Burmese border. In 1976, an earthquake of 7.8 killed 240,000 people in China's Hebei Province.

Minister resigns

Tassos Sehiotis, Greece's Public Order Minister, resigned yesterday following the disappearance of George Koskotas, the banker charged last month with multi-million dollar embezzlement. Page 20

Maldives ship tailed

Indian navy is tailing a second ship suspected of carrying mercenary gunmen fleeing from an unsuccessful attempt to overthrow the Government of the Maldive Islands, an Indian diplomat said. An earlier getaway ship sank under tow. Nobody was on board.

Canada poll reaction

Canadian financial markets reacted sharply to the publication of an opinion poll giving the Liberal Party a commanding 12-point lead, with equities, bonds and the Canadian dollar all tumbling. Page 5

Israeli reform call

President Chaim Herzog of Israel urged the formation of a broadly based government charged with reforming the country's electoral system and holding fresh elections within a short period. Page 8

S Africa detentions

About 1,500 people were being held without trial in South Africa, the Detainees' Parents Support Committee said.

Jail stormed

Twelve Sri Lankan prisoners died when police commandos stormed a Colombo jail whose 1,500 inmates overpowered warders and started fires.

Iran-UK talks

A senior official of Iran's Foreign Ministry left for Vienna yesterday for new talks with British envoys on restoring full diplomatic relations between the two countries.

France train crash

A Luxembourg-Paris express train struck a maintenance wagon at a village station 140km east of Paris, killing nine people.

Green Line crossed

Four Turkish-Cypriot politicians crossed the fortified Green Line dividing Cyprus for a rare visit to the Greek-Cypriot south.

Toxic experts meet

Experts from 50 countries met in Geneva on Monday to draft an international treaty to control the disposal of toxic waste and prevent its illegal dumping on Third World countries.

Pro-Basque freed

Spanish ultra-rightists freed a pro-separatist Basque politician after holding him for three days and cutting their group's initials on his chest with a knife, the politician's relatives said.

Haitian 'poisoned'

Colonel Jean-Claude Paul, 49, once powerful Haitian army colonel indicted in the US on cocaine trafficking charges, died of suspected poisoning, Haitian police said.

Business Summary

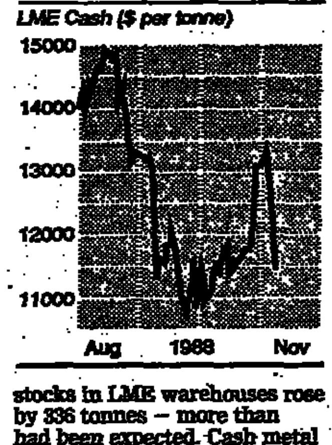
Banks plan analysis of exchange market

MOST detailed analysis of the foreign exchange market yet seen is planned by a number of the world's central banks, including the Bank of England, the US Federal Reserve and the Bank of Japan. Bank officials meeting in Basle have chosen next April for their study period.

NICKEL prices came under pressure from belated profit-taking by merchants and stale-bull liquidation after stocks in LME warehouses rose by 336 tonnes — more than had been expected. Cash metal fell by $1,000 to close at $11,450 a tonne. Page 48

Nickel

LME Cash ($ per tonne)



HONG KONG subsidiary of Cable and Wireless, the UK-based telecommunications group, plans to raise HK$4bn (US$512m) next month through an international share offering and placement, the largest such exercise ever mounted by a Hong Kong company. Page 22

MCORP, the troubled Texas bank holding company which announced last month that it would be asking for large-scale assistance from the US Government, appears to have won a crucial victory in its struggle to retain some control over its future. Page 22

DAIMLER-BENZ won approval from the West German Cabinet to take a 30 per cent stake in aerospace group Messerschmitt-Bölkow-Blohm. Earlier report, Page 3

RJR NABISCO $20bn-plus takeover battle intensified as signs emerged of a possible split between some members of the RJR board and the senior managers who have been trying to buy the giant tobacco and foods group. Page 22

FISHERY Products International, the largest foreign supplier of frozen seafood to the US, has reported a sharp downturn in third-quarter income due to low cod prices and adverse currency fluctuations. Page 22

LAWSON MARDON, the Canadian-based packaging group which has substantial interests in Europe, reported third quarter figures showing after-tax profits 84 per cent up at C$14.5m (US$12m). Page 22

SYDNEY Futures Exchange expects increased US trading in its contracts following a landmark decision by the Commodity Futures Trading Commission (CFTC), the US futures regulatory body. Page 27

SOCIETE Générale de Belgique, the Belgian holding company, and a group of shareholders in Vieille-Montagne, the Belgian zinc producer, have had contacts on the possible sale to La Générale of Vieille-Montagne stock, La Générale said. Page 24

VALEO, France's leading car components group, threw in the towel in its hostile bid for control of Epeda-Bertrand Faure, diversified French car seat manufacturer. Page 24

SAINT GOBAIN, the French privatised glass and packaging group, has acquired a 3 per cent stake in Essilor, the French optical glass company. Page 24

Size of Bush victory is the only doubt for pollsters

THE US goes to the polls today with Republican Vice President George Bush favoured to win the presidential election and succeed Mr Ronald Reagan in the White House, writes Lionel Barber in Washington.

Governor Michael Dukakis of Massachusetts, the Democratic nominee, needs a last-minute upset to defy the opinion polls, which all give Mr Bush a solid lead, with only the margin of victory in doubt.

But the Democratic Party appears poised to hold or increase its majority in both houses of Congress in today's House and Senate races, thereby providing an important source of opposition for a prospective Bush presidency.

From dawn to dusk yesterday, Mr Bush and Mr Dukakis battled for the attention of voters, many of whom have been alienated by the most negative election campaign since President Richard Nixon beat Senator George McGovern in 1972.

At a sunrise rally with steelworkers in Cleveland, Ohio, one of the key Mid-West battlegrounds, Mr Dukakis declared he had no time for sleep in his quest for a come-from-behind victory. "I'm charging," he said after a two-hour nap.

Mr Bush, who seemed to be shadowing Mr Dukakis in the Mid-West, revived his core campaign theme of continuity with the Reagan era during a stop in the Detroit suburbs in Michigan: "Is the country headed in the right direction? The answer is, Yes it is."

An extensive Washington Post-ABC News poll yesterday gave Mr Bush a 54 to 44 per cent lead nationally, with the Vice President enjoying firm leads in 33 states with 303 electoral votes. Mr Dukakis has only six states firmly under his belt, with 74 electoral votes. Some 11 states, with 161 electoral votes, are too close to call, according to the poll.

Other national polls – including a survey by Harris and NBC and the Wall Street Journal – called the race tighter, with Mr Bush having a lead of between 5 and 9 points.

But the Post/ABC poll – one of the biggest to date – re-interviewed some 8,000 likely voters and allowed for a state-by-state assessment of the candidate's strength. This is the decisive factor in presidential election because the winner of the popular vote in a state takes all of its electoral votes. A simple majority of 538 votes in the electoral college wins the presidency.

Mr Bush's strength lies largely in the South and the Rocky Mountain states, most of which he is expected to sweep. Mr Dukakis has pinned his hopes on a solid bloc of Mid-West industrial states – Michigan, Ohio, and Illinois, combined with California, the richest electoral prize, and New York, a traditionally Democratic state.

The problem for Mr Dukakis is that Mr Bush has made inroads into his Mid-West base.

Final day of campaigning, Page 5; London cheers, Page 20

Japanese reconsider plans for European motor assembly plants

By Guy de Jonquieres and Kevin Done in London

LEADING Japanese motor manufacturers are rethinking plans for investing in European assembly plants in the face of growing uncertainties about conditions in the European Community's planned single market and hostile reactions from the local motor industry.

Industry executives and government officials in Tokyo say many Japanese motor companies have become increasingly concerned about arousing political opposition in Europe if they move too aggressively to build up production capacity there.

Companies including Toyota and Mitsubishi Motors, which have expressed interest in building assembly plants in Europe, are considering scaling back their plans or studying alternative ways to enlarge their presence more gradually.

The companies are now talking of seeking joint ventures with European partners, rather than going it alone. Toyota is also investigating proposals to make vehicle components in Europe and to collaborate in transferring technology and advanced production techniques from Japan.

Some experts believe the industry's increasingly hesitant approach may mean that Nissan, which has an assembly plant in Sunderland, north-east England, will remain for some time the only Japanese motor manufacturer with its own substantial EC car production capacity.

According to Mr Takao Tominaga, head of the Japan Automobile Manufacturers' Association (JAMA), many companies are deferring decisions until they are clearer about future EC attitudes towards Japanese direct investment and trade.

Among the factors influencing the Japanese industry's thinking are :

- The recent controversy over Nissan car exports from Britain to France and the possibility that the EC may set strict local content rules for cars assembled in Japanese-owned plants in the future.
- Uncertainties about EC policy towards imports of vehicles from Japan after 1992. The European Commission is having difficulty formulating proposals which bridge the widely differing views of EC governments and carmakers.
- Warnings by the European car industry that further Japanese assembly plants would aggravate excess capacity – even though some European companies say they are having difficulty meeting buoyant demand.

According to Mr Hans Glatz, head of the Liaison Committee of the European Motor Industry: "It has been repeatedly signalled to the Japanese that the European industry sees no need for or benefit from additional Japanese assembly capacity in Europe."

Mr Tsutomu Oshima, executive vice president of Toyota, says the company accepts the European industry's arguments about excess capacity, though he argues that much of it is obsolete.

He says the company wants to ensure that its investments in Europe contribute to revitalising the local motor industry. It is considering seeking joint ventures with European motor companies, possibly to make engines, as an alternative to building its own assembly plant.

However, Toyota, which has been discussing European expansion plans for several years, says it will take no decisions until the question of local content and other issues raised by the Nissan controversy are clarified.

Mitsubishi Motors is also pursuing a cautious approach and is discussing plans for a European assembly plant with annual capacity of only 50,000 vehicles – far fewer than the 200,000 units planned by Nissan in Sunderland.

The company has yet to decide whether to build a greenfield factory of its own or to seek a joint venture

Mr Hiroshi Ninomiya, Mitsubishi Motors' general manager, Europe, says the company does not see a good future for making cars in Europe and might choose initially to make light commercial vehicles if it decides to build an assembly plant there.

"Maybe we have to give the Europeans a chance to recover, but we have to follow free trade in the future," he says. "We recommend to them (European companies) to compete with all manufacturers in a fair manner, but the Japanese too must be moderate. We must not attack them like an avalanche." Some in the European motor industry suspect that Japanese manufacturers' caution is partly a tactical manoeuvre. It is suggested that, by showing restraint over assembly plants, they may be hoping to persuade the EC to take a lenient attitude to car imports from Japan after 1992.

Mr Tominaga of JAMA believes Japanese motor companies remain committed to European plants, and that hesitations are short-term.

V. P. Singh: public accusation

Rival says Gandhi took arms deal money

By K. K. Sharma in New Delhi

MR RAJIV GANDHI, India's Prime Minister, has been accused of corruption and salting away foreign exchange in a secret numbered bank account in Switzerland. Although a campaign of whispers has continued for more than two years, this is the first time a direct public accusation of this nature has been made.

The corruption charges assume political importance because they have been made by Mr V. P. Singh, leader of the newly-formed Janata Dal (People's Party), who is considered to be Mr Gandhi's main rival in the run-up to general elections that could be held early next year.

Mr Singh, who is a former Finance and Defence Minister in Mr Gandhi's Cabinet and was expelled by the Prime Minister from the ruling Congress-I party when he made allegations against Mr Gandhi's friends about 18 months ago, made the charges in a public statement.

Continued on Page 20

Pillsbury plans to split business in bid defence

By James Buchan in New York

PILLSBURY, the Minneapolis food and restaurant group which is battling a $5.2bn takeover bid from Grand Metropolitan of the UK, wants to split its business in two and go heavily into debt in a bid to win shareholders' loyalty.

The company, which has been struggling with declining earnings and poor morale for two years, said yesterday it would spin off its troubled Burger King fast-food business and borrow against its assets to pay special dividends of "significant immediate value to shareholders."

Yesterday's plan, unveiled just a day and a half before GrandMet's offer is due to expire, received a lukewarm reception on Wall Street yesterday. Stockbroking analysts and arbitrageurs complained yesterday morning that Pillsbury had put no value on its plan, whereas Grand Met was offering $60 a share in cash.

"It's very incomplete," said Mr Craig Carver, an analyst at the Minneapolis firm of Dain Bosworth. "It's somewhat of a Band-Aid," said Mr Stephen Carnes at Piper Jaffray, also of Minneapolis. Pillsbury stock fell $1¼ to $59¼ in early trading.

Some analysts surmised that Pillsbury does not want to prejudice the battle it is waging against GrandMet in the courts. A Delaware state judge is due this week to rule whether a Pillsbury corporate by-law, known as a "poison pill", is being used unfairly against the UK group. A firm counter-offer might undermine Pillsbury's case for poison-pill protection, these analysts say.

Under yesterday's recapitalisation, Pillsbury will offer shareholders equal new shares in a company consisting of Burger King, the second-largest US restaurant chain, and an allied distribution business, Distron. The company will have sales of over $2bn and operating profits of about $150m.

Pillsbury, with sales of $3.5bn and operating profits of about $210m, will concentrate on frozen and packaged food, including such brands as Pillsbury flour, Green Giant vegetables and Haagen-Dazs ice cream. "As two separate, focused companies, Pillsbury and Burger King will each be in a better position to develop greater recognition in the market place," Mr Smith said.

Wall Street analysts said they were disappointed that Pillsbury, despite paying millions of dollars in fees to five New York and London investment banks, had failed to devise a precise alternative to GrandMet's offer. Mr Carver, the Minneapolis stockbroker, said the special distribution would have to be at least $20 a share to match GrandMet's offer, which would cripple Burger King with debt of more than $1.7bn.

Burger King's franchisees bitterly oppose Burger King going into debt. But Mr Jerry Levin, chairman of the Miami-based chain, yesterday promised that Burger King "will be able to fully meet our debt service and also continue with our programme of reinvestment."

Lisa Wood in London adds: Mr Allen Sheppard, chairman of GrandMet described the Pillsbury proposal as a "complete non-event." The plans did not contain enough information to evaluate the seperate Burger King and Pillsbury companies or indicate where Pillsbury's $1bn of debt would be allocated.

Lex, Page 20

UK Government plans radical shake-up in television industry

By Raymond Snoddy and Richard Evans in London

THE BRITISH Government yesterday unveiled radical proposals for the deregulation and restructuring of the commercial television industry aimed at increasing choice and competition.

In the biggest shake-up for more than 30 years, new channels will be introduced, broadcasting licences sold by competitive tender and the Independent Broadcasting Authority replaced by a new Independent Television Commission.

Mr Douglas Hurd , the Home Secretary, said yesterday that his policy document, Broadcasting in the '90s: Competition, Choice and Quality, would remove a great deal of regulation, and give viewers much greater choice.

"It is a difficult balance but I think we have got it about right," he said.

ITV, the main commercial channel at present, will be renamed Channel 3 and its regional role emphasised. The new Channel 5, due to begin broadcasting in 1993, will be a national channel.

At the same time the launch of local television stations based on either cable or microwave broadcasting will be given the go-ahead and two new direct broadcasting by satellite (DBS) channels will be advertised in Jannuary.

In future all commercial television channels will have the option of being financed by advertising, subscription or a mixture of both.

The Home Secretary rejected suggestions that deregulation and the introduction of more channels would have an adverse effect on programme quality.

"The BBC remains, and Channel 4 which has a remit unique in the world, to cater for those parts other broadcasters don't reach, will be sustained and enhanced. People must not fall into the danger of confusing detailed control with maintenance of quality. I think better choice is a better way of sustaining quality."

The BBC will also be encouraged to begin to move towards subscription funding, which Mr Hurd would like to see as an eventual replacement for the current annual licence fee.

The Corporation will lose one of its night-time channels to commercial broadcasting and only keep the second if it is used for subscription. From 1991 the licence fee, at present linked to the retail price index, will be linked to the index minus an unspecified percentage.

Mr Hurd pointed out that those who argued that extra competition would reduce quality had used the same argument when the BBC lost its monopoly with the launch of independent (commercial) television.

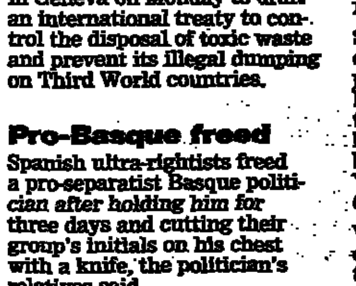
He also rejected the view that British television would become more like American, and that this would inevitably

Continued on Page 20

MARKETS

Tokyo

Nikkei Average



INTEREST RATES
US lunchtime
Federal Funds 8⅜% (8¼)
3-mth Treasury Bills: yield: 7.71% (7.71)
Long Bond: 101⅜ (102⅛)
yield: 8.95% (8.91)
London:
3-month interbank:
close 12⅛% (12⅛)

STERLING
New York lunchtime
$1.77675 (1.768)
London:
$1.7755 (1.7655)
DM3.1675 (same)
FFr10.805 (10.8)
SFr2.6525 (2.655)
Y221.5 (221.25)

DOLLAR
New York lunchtime
DM1.7825 (1.7895)
FFr6.082 (6.109)
SFr1.4925 (1.500)
Y124.625 (124.95)
London:
DM1.7840 (1.794)
FFr6.0850 (6.1175)
SFr1.4935 (1.5035)
Y124.70 (125.3)

GOLD
New York latest
Comex Dec
$423.6 (423.5)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,124.47 (-21.33)
S&P Comp
274.24 (-2.07)
London:
FT-SE 100
1,819.7 (-14.6)
World:
132.98 (Fri)
Tokyo
Nikkei Ave
27,866.96 (-180.90)
Frankfurt
Commerzbank
1,590.3 (-20.2)

OIL
Brent 15-day (Argus)
$12.75 (+0.025) (Nov)
West Tex Crude
$14.035 (-0.06) (Dec)

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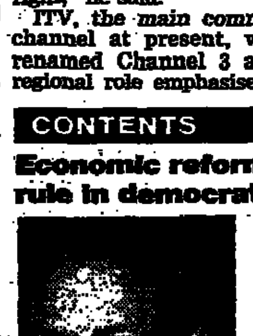
Economic reforms test Diouf's rule in democratic Senegal



President Abdou Diouf arrives in Britain today for a three-day official visit, under pressure at home but sure of congratulation from Mrs Thatcher for sustaining his country's commitment to economic renewal. Page 6

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RED SQUARE PARADE CONFIRMS THE DOMINANCE OF GORBACHEV

Moscow scales down the military

By John Lloyd in Moscow

IN A LAND where symbols retain their importance and force, the symbolism of yesterday's Red Square parade to mark the 71st anniversary of the Bolshevik revolution of 1917 was designed to reassure the world outside and enthuse the Soviet citizen. These twin aims met their apotheosis in a banner, carried with pride, which proclaimed the virtues of cost accounting.

The traditional elements took priority, of course. It snowed from an iron sky, and grew colder as the morning wore on. Posters covered the neo-gothic facade of the GUM department store, facing the Lenin mausoleum and the Kremlin. This year, however, they were said to be relatively modest: a vast banner of Lenin in the centre – "looking more human", as Tass later pointed out – and next to it, a slightly smaller flag with the word perestroika.

As the politburo filed out to the mausoleum's reviewing gallery, it was apparent that Mr Mikhail Gorbachev and Mr Nikolai Ryzhkov, the Prime Minister, were some yards ahead of the rest of the ruck. That was headed by the former politburo number two, Mr Yegor Ligachev, who seemed to dawdle his way to the front. He did not stand beside Mr Gorbachev, who had Mr Ryzhkov and Mr Lev Zaikov, the Moscow party leader, next to him. This symbol appeared to point to an underscoring of a demotion.

Before them, General Dimitri Yazov, the Defence Minister, and General Konstantin Kochetov, the parade commander, swept about the ranks of rigid troops in big grey convertibles. Gen Yazov then took the podium in front of the mausoleum to deliver a speech which gave military endorsement to the new line on international relations pioneered by Mr Gorbachev and Mr Eduard Shevardnadze, the Foreign Minister.

The general said that "the new political thinking, based on the priority of common human interests . . . finds ever-growing understanding and support among the world public and leaders of many states." He also talked of a "reasonable sufficiency" in armaments, indicating that the Soviet Union no longer wished to demonstrate aggressive intentions.

A reasonable sufficiency of armaments then followed the columns of cadets and troops past the mausoleum. However, Western observers noted a drop in two (from 17 to 15) in types of weaponry, and that nothing new was unveiled.

There followed eight-deep columns of young blue-tracksuited standard bearers, leading in a parade of Muscovites weaving flowers and walking beside motorised placards proclaiming perestroika and glasnost, and even – the accountants' delight – self-financing or cost accounting.

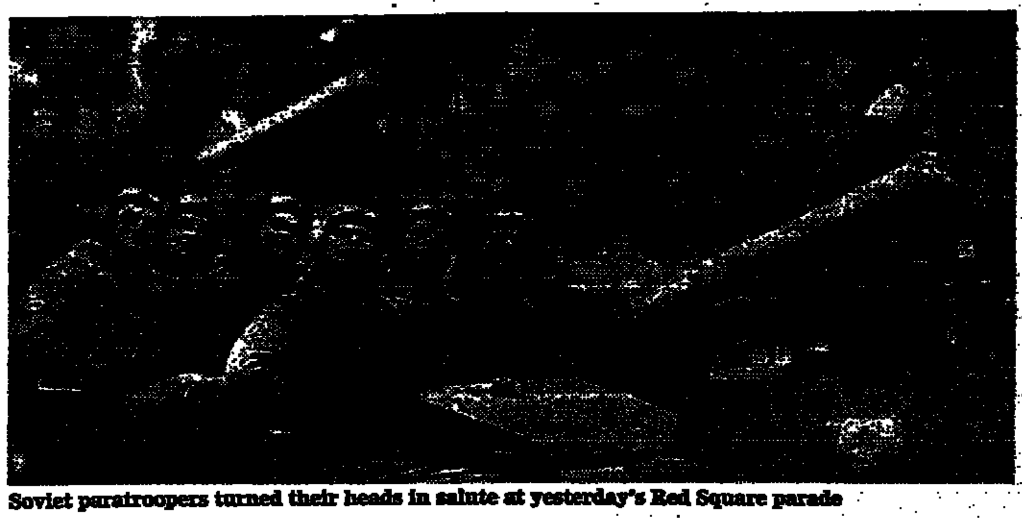
The representatives of Moscow's Kuntsevo district produced a banner which claimed that "the output of machines which are on a par with world level went up in Moscow from 27 to 40.6 per cent in the past year." Another announced itself as the banner of a co-operative which successfully manufactures low voltage instruments – a plant whose workers took it on lease after its liquidation a year ago.

Later, back in the warmth of the Kremlin, Mr Gorbachev told a reception for senior party and state officials, foreign dignitaries and ambassadors that "the country has started moving forward towards a socialism worthy of our ideals."

SEVERAL HUNDRED students in Warsaw yesterday tried to celebrate the anniversary of the October Revolution by symbolically "storming" department stores in the city centre which for the purposes of the exercise had been dubbed "the Winter Palace," writes Christopher Bobinski.

Police, however, nipped the coup in the bud by arresting dozens of would-be revolutionaries, confiscating a cardboard model of the cruiser Aurora which fired the first shots in Leningrad, and detaining "the Russian royal family".

One of the students, Mr Rafal Szymczyk, achieved the distinction of being the first person in Poland since the war to be arrested for carrying a portrait of Lenin at the head of a group of demonstrators chanting "Revolution, Revolution."



Soviet paratroopers turned their heads in salute at yesterday's Red Square parade

Romanians face seventh winter of heat curbs

By Judy Dempsey in Vienna

THE ROMANIAN authorities, in what is now regarded as an annual concerted campaign, have issued instructions to already hard-pressed consumers and enterprises again severely restricting the use of heating and hot and cold water this winter.

The decree, published in Scintela, the Communist party daily newspaper, states that blocks of flats attached to central heating stations will receive 4½ hours heating a day and an extra half-hour on Sunday. It will be restricted to short bursts during the early morning, mid-day and for two hours in the evening.

"Non-productive" units, such as offices and schools and presumably hospitals, will be allowed four hours' heating but will be encouraged to make use of "natural light."

Some concessions have been made for the coldest months, when the heating quota will be increased by one hour. This is the seventh consecutive year in which Romanians have had their energy supplies strictly rationed.

Last winter was exceptionally mild in many parts of Eastern Europe, but recent reports from Bucharest say a spell of cold weather has already set in, and fresh fruit, vegetables and meat are again in short supply.

Portugal's opposition seeks director, drive and direction

Diana Smith in Lisbon reviews the Socialists' disarray and difficulties after the abrupt resignation of their leader

PORTUGAL'S Socialist Party is disheartened, confused and carefully looking around for a new leader after last month's abrupt resignation of Mr Vitor Constancio, the low-key economist who headed the party for two years.

The Socialists are floundering – they have been unable to present a cohesive strategy in opposition and have been undecided about the image they would like their leader to project. Speaking last weekend, Mr Constancio cited a "lack of support" as the reason for his departure.

Mr Constancio had difficulty running a party that had been the fiefdom of the charismatic Mr Mario Soares, founder in exile of Portugal's Socialist Party in 1973, three times Prime Minister between 1975 and 1985 and high-profile leader of a party that like him, graduated over a decade from fiery Marxism to middle of the road democratic socialism.

When Mr Soares became President of the Republic – and by his own claim, President of all the Portuguese not merely the Socialists – in 1986, the Socialists sought a politically-sensitive technocrat rather than pure politician as its new leader.

They believed that Mr Constancio – who had won plaudits for his solid work as Finance Minister and Portugal's first negotiator for EC membership in 1978, and as 1984-86 Governor of the Bank of Portugal – would be a powerful antidote to the self-assured new leader of the ruling Social Democrats (PSD), Mr Anibal Cavaco Silva.

Also an economist, a former Finance Minister, and long-time employee of the bank of Portugal, Mr Cavaco Silva brandished macroeconomics and his administration's unique expertise (in his view) in this field as the PSD's great trump card.

The Socialists, determined to recover ground after two electoral defeats had pushed them from their traditional 33-36 per cent of the vote to 20-24 per cent, saw Mr Constancio as a gentler but highly skilled master of macroeconomic jargon, fit to rattle the Social Democrat leader.

It did not work that way. Mr Constancio's quiet, careful economic reasoning rarely made itself heard above the din of PSD self-praise. Failing to dent the PSD juggernaut, he also failed to impress some of his own Socialist colleagues who dreamed of more aggressive leadership.

The Socialists grew fractious, joining the ranks of parties to the right or left of the PSD in search of relevance and thereby they undermined the motivation of their party in opposition.

Mr Vitor Constancio (left) finding few footholds in Portugal's Socialist Party, founded by Mr Mario Soares (right)

A weakened Socialist Party shifted the balance of real opposition from Parliament to management confederations and trade unions.

These bodies have become the most conspicuous critics of the government since inflation swerved wildly off the target predicited by Mr Miguel Cadilhe, Portugal's most self-assured Finance Minister in 50 years. He promised that inflation would fall to 5 per cent this year, but in September the rate stood at 11 per cent year on year.

Scepticism about official projections and capabilities has led management confederations and unions to hint they are not interested in signing a 1989 price-wage agreement with the government.

They consider that they were led up the garden path in 1988 by Mr Cadilhe, who first got his inflation prediction wrong and then refused to honour a wage-price agreement signed in 1987 which provided for readjusted wage increases if inflation exceeded targets.

With the finance minister now insisting 1989 inflation will be 5 or 6 per cent – while the EC already forecasts 7 per cent – and upward pressure on prices continues intense, Portugal's businessmen and trade unionists are talking tougher than the politicians.

In the political camp meanwhile, the Socialists are not the only party in search of an effective tone of voice that can persuade voters in the 1989 local government and European parliament elections that Portugal is not doomed to slide into neo-Mexican one party hegemony.

To the right of the PSD, the Christian Democrats have regained their former leader, Mr Diogo Ferreira do Amaral who lost the presidential election to Mr Soares in 1986. He, however, has not found a new set of muscles to fight off PSD inroads into its support bases.

Polls indicate that if an election were held tomorrow, the Christian Democrats would be lucky to get 3 or 4 per cent – a mighty crash from its 12-14 per cent share a few years back.

On the left, the hardline Communists are floundering in the ripples of Soviet glasnost and perestroika. For the first time, the stern leadership of the doggedly Stalinist 75-year-old Mr Alvaro Cunhal is contested by young Communists. The Communist Party shows signs of deep difficulty in handling the threat of real party internal democracy.

It has held on to 10-11 per cent of the vote for years, but its parliamentary voice has become hoarse from the repetition of old formulas. Also its talent for the street theatre – that gave Portugal the jitters from the 1975 revolution to the early 1980s – is fading fast and losing its natural audience as workers dream more of their own car, house and video recorder than of the dictatorship of the proletariat.

All that leaves Mr Silva in an interesting position. He has his own party – once Portugal's most querulous political body prone to gleefully savaging its own leaders for esoteric reasons – in a disciplinarian grip where a whiff of dissidence can bring on a bad case of ostracism. He has no one on the opposition benches ready to box with him.

But the Confederations of Industry, Agriculture and Commerce, the General Confederation of Workers and the General Union of workers are not having leadership problems and are not answerable to PSD discipline.

For now – until political parties find a new tuning fork and new choirmasters, Mr Cavaco Siliva has more to worry about from the people he and many of his ministers prefer to call "economic agents," than from the political heartland. The 1989 local elections will show how much effect economic agents have on the ballot boxes.

FINANCIAL TIMES

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EC deeply divided over banking reciprocity

By David Buchan in Brussels

EUROPEAN Community finance ministers yesterday demanded that the European Commission produce a clearer definition of the foreign reciprocity conditions it wants to attach to EC banking liberalisation.

But they revealed themselves as deeply split into two camps on the Commission's proposal that foreign banks should only benefit from a planned single Community-wide banking licence to the extent that their home countries give EC banks reciprocal market access.

By joining together to request further clarification, the two camps may also hope to bring the Commission around to their way of thinking by the time ministers meet on December 12 to consider again its Second Banking Directive.

Several northern countries with strong financial sectors, including the UK, West Germany, Luxembourg and the Netherlands are, as Mr Hans Tietmayer, the Bonn Finance Secretary, said yesterday, "very sceptical about the principle and practice of reciprocity" in international banking. UK officials claim a majority of the 12 states are sceptical.

France, however, showed itself yesterday to be very attached to international reciprocity, even to the extent of recommending that the principle be applied to another item on yesterday's agenda – harmonised EC share and bond prospectuses. And Mr Philippe Maystadt, the Belgian minister, said he strongly supported reciprocity as a "non-protectionist" means of opening up world financial markets.

In fact, the Commission confirmed last month that it would not attach retroactive reciprocal conditions to banks already established in the EC, and over the weekend further clarified its position.

Mr Paolo Clarotti, head of the Commission's banking division, told a financial conference that Brussels would seek varying forms of national treatment for EC banks. Thus, in Switzerland, EC banks should be able to compete with local banks in practising "near universal" banking, while in the US EC banks would have to respect local rules fragmenting the geographical scope and nature of banking.

In Japan, a market particularly hard to penetrate, a better deal might be sought than that available to Japanese banks, Mr Clarotti said.

He explained that while the proposed directive would protect the rights of all foreign-owned banks based in the Community whenever the measure came into force, any change in the ownership of such banks could trigger reciprocity provisions.This would apply to the current owners of the banks, not the banks themselves.

But the directive, as currently written, would provide a let-out. Mr Clarotti said bank-owning holding companies could change hands without triggering reciprocity conditions.

He also said he was examining whether foreign banks could sidestep reciprocity requirements by deliberately not taking advantage of the proposed EC single banking licence.

EC looks towards free market in energy

By William Dawkins in Brussels

CONCRETE MOVES towards establishing a free European *Community market in energy* are expected to be outlined by the European Commission to a ministerial meeting today.

They will be pushed hard by Britain and France, both keen for a free energy market, but will encounter caution from several other states, including West Germany and Denmark, which want some controls to continue.

Mr Nicolas Mosar, the Energy Commissioner, is due to tell energy ministers that the Brussels authorities plan to table proposals in the next few months to oblige energy utilities to publish the basis on which they set prices in order to help industrial customers choose between energy *sources.*

These are to be followed next year by ideas for scrapping restrictions on the purchase of electricity and gas from other member states.

Also in the pipeline are Commission proposals to harmonise the methods used by energy authorities to calculate prices, a move which could bring a fresh onslaught against state aids to the industry.

EC governments would have to give all these ideas their blessing before they could take effect.

While today's meeting is not likely to make firm decisions, it could help clarify what has been a poorly defined part of the EC's internal market programme. *This matters fundamentally* to Britain as it prepares to privatise its electricity industry, as well as to France, which is keen to find fresh foreign customers for its cheap nuclear generated electricity.

Today's meeting is likely to confirm that serious political problems stand in the way of any efforts to encourage cross-frontier electricity sales. West Germany is keen to protect its coal-fired stations against low-cost French competition, while Denmark wants safeguards to foster alternative energy sources. Greece and Ireland, meanwhile, are unwilling to deregulate the industry too fast without some help from the EC to improve their own *energy supplies.*

Other priorities mentioned in the energy paper include setting common environmental rules and improving infrastructure in countries like Greece and Ireland, which have no electricity links with mainland Europe, or encouraging the building of a gas pipeline across the English Channel.

Some barriers to free trade in energy identified in the document are already being tackled by other parts of the general internal market plan, like Commission proposals to open up public procurement for energy projects or to harmonise fuel taxes.

Swiss banking body starts drug money inquiry

By Our Foreign Staff

THE SWISS Banking Commission is to launch an investigation into the so-called "Lebanese connection" in *which up to nearly SFr2bn* (£744m) of drug money is alleged to have been laundered in Switzerland.

Dr Hermann Bodenmann, the Commission's chairman, said yesterday the inquiry would start this week and the public would be informed of the results "as soon as possible". Swiss authorities said on Friday they had evidence that at least SFr1bn worth of drug money had been laundered through Swiss banks and foreign-owned companies in Switzerland for a Lebanese-Turkish drug ring.

Criminal proceedings in the cantons of Zurich and Ticino are under way and a total of nine arrests have been made so far. Credit Suisse, one of the country's largest banks, said last week it was carrying out its own investigations into the affair and the Union Bank of Switzerland has supplied details of accounts opened by four implicated Lebanese.

Yesterday Dr Bodenmann called for the rapid implementation of a law explicitly forbidding money-laundering activities by Swiss banks. Money laundering is currently not against Swiss law unless the funds are used to buy drugs or for other criminal purposes.

Accord nearer on rules for security issues

By David Buchan

EUROPEAN finance ministers last night edged towards agreement on common rules for the writing of security issue prospectuses.

The key to agreement, which may be reached formally when finance ministers meet next month, centres on the suggested exclusion of those Euro-share and bond issues whose sale is directed chiefly to institutional investors, and not to the individual "punter."

The proposal by Lord Cockfield, the internal market commissioner, is that Euro-security issues for which there is "no generalised advertising campaign" need not fall under the proposed investor protection directive, first tabled in 1982.

This responds to the fears of Britain, Luxembourg and to some extent West Germany that over-regulation might drive Euro-securities business out of the Community to Switzerland and other financial centres.

The proposed directive would cover both national bond and share issues and also Euro-security issues, defined as "underwritten and distributed by syndicates of which at least two members have their head offices in different states."

If the Cockfield proposal proves fully acceptable both to Britain and Luxembourg, and to those countries more concerned about protecting the smaller Euro-investor, it will cover only a relatively small part of Europe's share of the $180bn-a-year Euro issues. European Community issuers account for about one third of this volume.

● The European Investment Bank (EIB) said yesterday it would lend up to £150m to British Aerospace to help finance the development of the new Airbus A-320 aircraft, Reuter reports from Luxembourg.

The European Community's development bank said in a statement it decided to make the loan because it involved increased co-operation between companies in different EC countries.

The loan is for 18 years and takes the form of a credit facility in which the company can choose to take up the loan or part of it at any time during a fixed period in one of a number of different currencies.

The EIB said it was to help finance British Aerospace's share of the costs of development.

Bonn budget deficits narrow as growth exceeds expectations

By David Marsh in Bonn

BETTER THAN expected economic growth in West Germany is helping to reduce the federal budget deficit this year and next to below the levels foreseen in the summer, according to Mr Gerhard Stoltenberg.

The Finance Minister, who is now predicting 3.5 per cent growth this year and 2-2.5 per cent next, says the central government deficit is expected to fall to DM28bn (£8.9bn) in 1989 from an anticipated DM36bn-DM37bn this year. Both figures, although running well above his ministry's medium-term projections of previous years, represent substantial improvements on the federal deficits projected in July at *DM32bn for 1989* and *DM39bn* for 1988.

Tax receipts across all public sector budgets rose 5.3 per cent in the first half in spite of tax cuts at the beginning of 1988 reducing budgetary income by nearly DM14bn for the full year. The total public sector deficit, including state (*Land*) and local governments, would be around DM58bn this year, 2.8 per cent of gross national product, sinking to DM44bn-DM48bn next year, or 2 per cent of gross national product.

Referring to the latest differences of opinion within the Bonn coalition over subsidies for the Airbus airliner project, Mr Stoltenberg said yesterday he hoped the Government would be able to explain more coherently in coming months its budgetary and tax policies.

He said the latest fall in energy prices had improved chances of keeping inflation from creeping up next year. In spite of a round of consumer price rises next year affecting petrol, tobacco, insurance and gas, aimed at bringing in an extra DM8bn in budget revenues, inflation next year was not expected to rise above 2.5 per cent.

He also voiced confidence about chances for further currency stability within the European Monetary System, where speculation over a downward realignment of the French franc against the D-Mark has revived recently on the foreign exchanges. France and West Germany agreed at the two governments' latest six-monthly consultations last Friday on the need to maintain current EMS exchange rates, he said.

"The position of the French Government is fully clear. They are interested in stability within the EMS (for the franc) because this brings price stability."

Regarding the suggestion of Mr Pierre Beregovoy, the French Finance Minister, for West Germany to "recycle" some of its current account surplus back to other EC countries, Mr Stoltenberg said talks would be held with the European Investment Bank on increasing its capital market financing in the "surplus countries" of the Community. However, any "recycling" scheme would however have to be carried out in a "market-oriented" manner, he said.

FDP yields on Daimler deal

By David Marsh

WEST GERMANY'S liberal Free Democratic Party (FDP), junior partner in the Bonn coalition, yesterday climbed down from its opposition to Daimler-Benz, the motor and engineering group, taking a 30 per cent stake in Messerschmitt-Bölkow-Blohm (MBB), the aerospace concern.

This followed a special cabinet meeting last night, thus clearing the final political hurdle ahead of a deal which will result in the formation of a DM80bn (£25bn)-turnover company dominating all sectors of the country's aerospace and defence industries.

A meeting of the FDP's parliamentary grouping yesterday morning coupled approval for the deal with insistence on extra safeguards to ensure that Daimler took over from the year 2000 all the financial risks of MBB's loss-making participation in the four-nation Airbus venture.

This leaves unchanged the central aspects of the DM4.3bn financial guarantee scheme for Daimler-MBB already discussed by the cabinet last Wednesday. The Government will now ask Daimler to promise formally that it will purchase by the end of 1999 a 20 per cent public sector stake to be taken in a new MBB subsidiary grouping West Germany's Airbus activities. This undertaking was already foreseen by the Government.

In a campaign widely seen as an effort to improve his political profile following his appointment last month, Count Otto Lambsdorff, the FDP chairman, has recently given a series of interviews opposing the Daimler-MBB link.

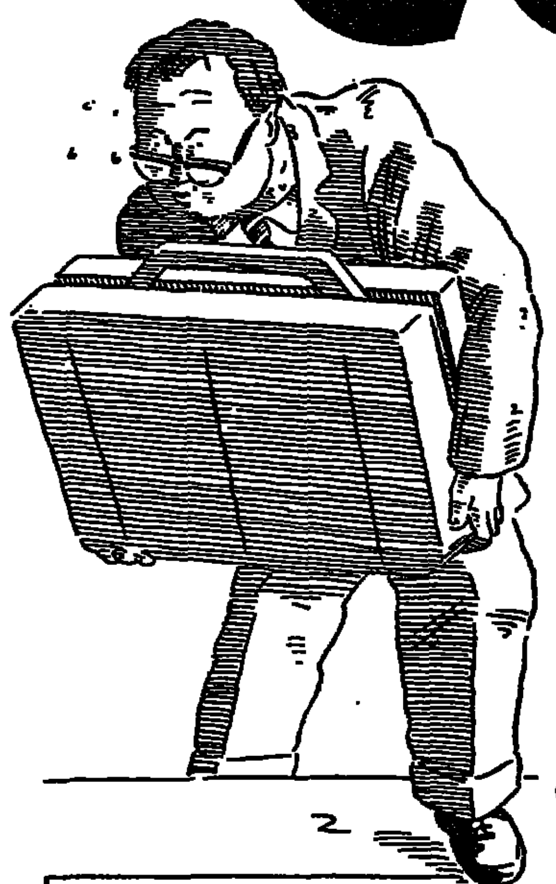
In private, however, he has admitted that there was little alternative to the deal. Yesterday, he told a press conference that, as a means of ensuring that private industry took over from the state the lead role in developing Airbus, Daimler offered the only practical solution.

The takeover has still to be approved by Daimler-Benz, which will now go into a final lap of negotiations with the Government. The Federal Cartel Office in Berlin also has four months to vet the deal. The opposition Social Democratic Party (SPD), which has vehemently criticised the link-up because of the size and power of the group which would result, yesterday accused Count Lambsdorff of capitulating.

The FDP leader stressed that Bonn had given the Airbus programme many years of political support – including the time when he was Economics Minister between 1978 and 1984. In spite of the FDP's "considerable misgivings" about the takeover, "we cannot and do not want to jump off a running train."

His proposals for tightening the conditions for the Daimler-MBB link had been agreed by Mr Martin Bangemann, the FDP Economics Minister and former party chairman who has been the main architect of the deal. The FDP is also asking for a clear statement that the Bonn budget will not face an additional drain if the dollar falls below DM1.60, the lower limit of the DM4.3bn exchange rate guarantee scheme.

THERE ARE LIES, DAMNED LIES AND STATISTICS ABOUT PORTABLE COMPUTERS.



Some portables come with slip-a-disc facility.

Computer advertisements often speak with forked tongue.

Manufacturers are prone to describe anything that weighs slightly less than a desk as "portable."

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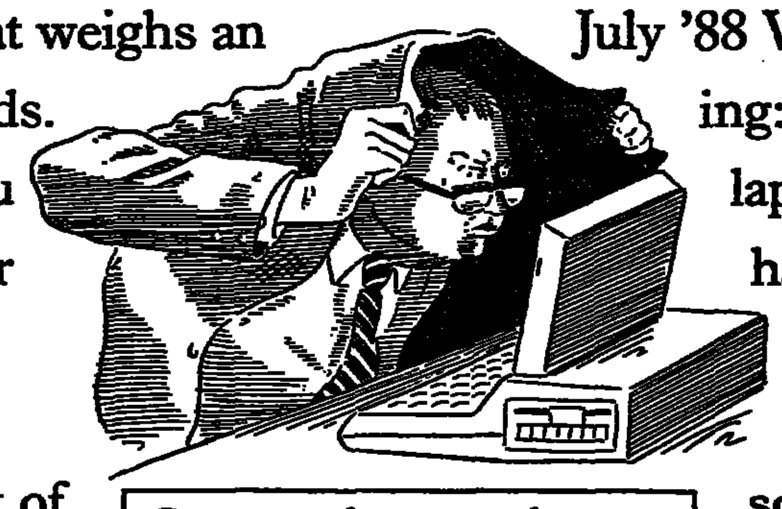

Some manufacturers make screens that need to be kept in the dark.

Or to give you processor power they get rid of the batteries altogether.

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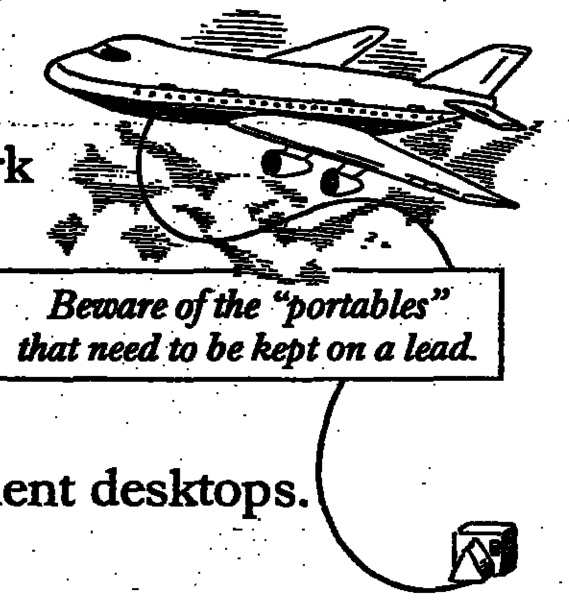

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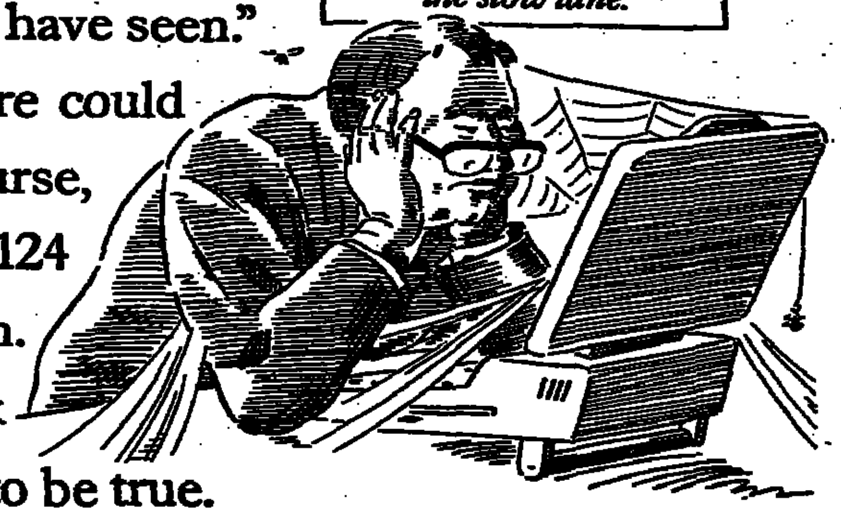

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AMERICAN NEWS

Weary Bush seeks to hammer home his message

Peter Riddell watches as the Republican Vice President basks in the glow of Hollywood's stars

FOR MR George Bush, polling day has come not a moment too soon. During speeches in southern California on Sunday afternoon he sounded tired and several times talked, with relief, of the campaign now going to the wire.

Moreover, the latest opinion polls in California, with its 47 electoral college votes, suggest that the Republican candidate is coming under pressure in a presidential race in the state for the first time since 1964. Mr Bush is given a lead of only two to five points here, so his brief visit to southern California was followed yesterday by one from President Reagan, returning to his political home base, and by an evening rally in Los Angeles addressed by Governor Michael Dukakis.

Mr Bush's weekend schedule included the north east and several big mid-western states (some more than once), as well as the West Coast, in an increasingly hectic pattern which would have earned him a record bonus on any airline's frequent flier programme.

Yet Mr Bush's tiredness led him to depart from his standard campaign speech and to reveal some of the frustrations of the campaign. He com-

plained about the daily whining of his opponent about negative campaigning. The contest was, Mr Bush said, not about some television commercial but about the leadership of the free world. Repeating Harry Truman's adage, he urged Mr Dukakis: "If you can't stand the heat, get out of the kitchen."

Mr Bush's message has, through repetition, been honed down to a few simple points about economic expansion and peace. He returned to President Reagan's 1984 theme, saying that the fundamental question was: "Are you better off than you were eight years ago?" In case of doubt, he supplied the answer: "Of course you are."

The Vice President also returned repeatedly to his own international experience of when and how to use US power. The latest Soviet moves in Afghanistan showed, he said, the need for his experience rather than the naivety and total inexperience in foreign policy of his opponent. A new president would, he said, be tested by the Soviet leadership.

Mr Bush sought to define his "mainstream" theme broadly, saying he represented the ones who paid the taxes, who met the mortgage, and lived in the community, "family people." He derided Mr Dukakis's claim of being "on your side", saying it was what the computer virus had told the Macintosh.

Otherwise, it was a somewhat rambling affair. A pledge "not to take away your guns", which drew the largest cheers of the day, was put in the middle of a section on cleaning up the environment. It also came as police arrested a man in the crowd who dropped a starting pistol, filled only with blanks.

The speech went down well at an open-air rally of over

Michael Dukakis

George Bush

20,000 people in the predominantly Republican suburb of Woodland Hills in northern Los Angeles. Everything had been carefully prepared – flags for everyone, red, white and blue balloons, and a high-school band.

Yet while the image for the television news conveyed enthusiasm and patriotism, it was for the participants more of a picnic on a delightfully warm day with free hot dogs and Coca-Cola.

Some in the crowd had come to see the stars: being just to the north west of Hollywood, it was very much a show business occasion. Charlton Heston recited the inevitable pledge of allegiance (and muffed it), Andy Williams sang the national anthem (quite well), and Zsa Zsa Gabor, Joan Rivers, Pat Boone, Cesar Romero and other ageing glitterati were in attendance, along with Rich Little offering some feeble impressions.

The tone was set by Jamie Farr, who played Klinger, the male nurse in the television comedy series MASH who liked to dress up in women's clothes. He defended the ostentatious consumer spending of the Reagan years, saying that if he had a butler or a security guard for his swimming pool (which he did not) he would have created two jobs. But he had had a private pool built for himself and that had created jobs.

That, he said, was what the free enterprise capitalist system was all about – a point which struck home in one of the most affluent neighbourhoods in the world, where many do have pools.

Mr Bush's message was brought home most vividly by the compere of the occasion, Mr Chuck Norris, a karate world champion. He commended his "philosophy as a martial artist of peace through strength."

Swelling crowds spur Dukakis to fight to the last

Roderick Oram sees the public beginning to warm to the Democratic candidate

FIGHTING to the last hoarse "We're on your side", Mr Michael Dukakis wound up his quest for the US presidency last night and headed home to Massachusetts. America will deliver its verdict in voting booths 605 days after his campaign began.

Tapping his party's rich liberal roots and pounding home a simple populist message, the Democratic candidate has in recent days dramatically cut the lead of Vice President George Bush.

The tightening of the race has spurred on Mr Dukakis through the last four gruelling days of campaigning. He seemed to draw enthusiasm and energy from the crowds, which grew in size and emotional intensity as he travelled from east to west coast. At last he was striking a rapport with voters after months of missed opportunities and cold, cluttered messages.

"We want Mike, we want Mike," the Chicago audience chanted on Friday evening. Throwing his arms high and wide, he shouted back: "You want Mike? You got him."

He gave them the earnest fiscal conservative but leavened it with the wit and wisdom of heroes from the Democrats' glory days.

"If you believe, as John Kennedy did, that this country can never be satisfied with the status quo, that we've always got to be moving ahead, doing better, working hard, expanding the circle of opportunity for all of our citizens, then we're on your side. We're on your side."

Mr Dukakis has also hammered away at Mr Bush for what he called the Republicans' highly negative and often misleading attacks on him, his policies and his beliefs.

He quoted Harry Truman from 1948, the year when the Democrat inflicted a stunning come-from-behind defeat on the Republicans: "The smart boys say we can't win. But we told the people the truth, and the people are with us."

Recent polls bear out Mr Dukakis's assertion. Those voters deciding between the candidates in the past two weeks have been choosing him by a ratio of two-to-one over Mr Bush, whom they blame more for the low tone of the campaign.

As controlled as ever, though, Mr Dukakis has shown only a few flashes of hot anger at Mr Bush's tactics. It has been instead the fiery Mrs Kitty Dukakis who has let rip at the "vilification" of her husband.

"The only 'L' word my husband's opponent has used is lies," she said to a roar of support from the Tacoma crowd.

If Mr Dukakis has at last learnt to attack, he still seems earth-bound by his pedantic nature. Zing lapses into lugubriousness. He steps to the podium, doffs his jacket and rolls up his plain blue shirt sleeves. But only just so far, midway between wrist and elbow. His red tie remains firmly knotted at his neck.

Today is the Greek Orthodox feast day of St Michael, he frequently reminds crowds. But not for him a rabble-rousing quote from Revelations or Milton's Paradise Lost about Michael as a military leader in the war between God and Satan. "We want to be celebrating my name day with you," comes the pulled punch line.

All along, Kitty Dukakis kept trying to tell America her husband was more than a stuffed shirt topped by a big hard head. He thinks the public has got to know him as he improved on the hustings. "In the last three or four weeks, I hope people are getting a better idea of Mike Dukakis," he told a group of 60 students after the Tacoma rally.

The encounter with the undergraduates was more revealing, though, than a dozen crafted commercials. For half an hour he relaxed in a classroom fielding more than a dozen questions on topics from Israel to acid rain.

It was late in a long campaign day but he never lost his train of thought, though a cough sweet rattled against his teeth.

He chatted warmly. Under no pressure from advisers to communicate in sound bites, he spoke in full, unmangled sentences, sometimes in complete paragraphs and always directly to the questions. He also quizzed the students. "I'm going to become Socratic in my Kennedy School mode," he said, referring to his teaching at Harvard's school of government.

Why go through a campaign like this, one student asked. Because "after 25 years, I have found there is nothing more satisfying than public service," he replied. "I think I'll be a far better president for going through this." Twenty months and 500,000 miles on the road "have shown me things I want to do, the greatness of this country, the goodness of its people."

The moment was lost to the country. The national press had already left, hurrying to the next campaign stop 300 miles away.

Liberal lead alarms Canadian markets

By David Owen in Toronto

CANADIAN financial markets reacted sharply to the publication of an opinion poll giving the Liberal Party a commanding 12-point lead in public support yesterday, with equities, bonds and the Canadian dollar all tumbling precipitously.

The Gallup poll assessed support for the Liberals at 43 per cent of decided voters, against 31 per cent for the ruling Conservatives and 22 per cent for the New Democratic Party (NDP). Just a week ago Gallup had indicated that the Tories held a six-point lead.

By midday, the benchmark Toronto Stock Exchange TSE-300 index had dropped almost 75 points or more than 2 per cent, to 3261.1.

Long-and medium-term bonds drifted by about two points in nervous trading. Meanwhile, the Canadian dollar slipped back about 0.7 cents from Friday's close to some $0.88 US cents, despite central bank intervention.

Last Monday, the Canadian dollar fell almost 1.5 cents in frenzied trading, following the publication of polls showing that the Liberals were gaining ground.

Yesterday's reaction to the Gallup poll was due to the fact that it appears to place Prime Minister Brian Mulroney's still unratified US-Canada free trade agreement in grave danger. The pact, which would eliminate virtually all tariffs on trade between the two countries over 10 years, has garnered widespread support in the business community.

It is bitterly opposed by the Liberals and the NDP alike, however. For the agreement to go into effect on January 1 as planned, therefore, Canadians would need to elect a second consecutive Tory Government on November 21.

The suddenness of the Liberal revival is quite unprecedented: little more than two weeks ago, the Conservatives appeared to be coasting to victory.

The about-turn is almost universally attributed to the strong performance of Mr John Turner, the Liberal leader, in the campaign's two televised debates. While Mr Turner failed to land a knockout punch, his relentless hounding of the Prime Minister succeeded in sowing seeds of doubt in voters' minds regarding the trade deal, and did much to erase uncertainty about Mr Turner's competence to lead the country.

Mr Turner and Mr Ed Broadbent, the NDP leader, maintain that the deal lays Canada open to increased US domination and jeopardises the country's social and regional development programmes.

Yesterday's poll puts the Liberals in the lead in Ontario, the Atlantic region and French-speaking Quebec, which until recently had appeared one of the most solid bastions of Tory support. The Conservatives remain ahead in the Prairies, while the Tories and NDP are neck-and-neck in the Pacific coast province of British Columbia.

Puerto Ricans vote today

By Larry Luxner in San Juan

BUOYED by strong economic growth, a scandal-free administration and the lowest unemployment rate in more than a decade, Rafael Hernandez Colon is likely to be elected today to another four years as governor of this US possession.

Nearly 2m Puerto Ricans, 80 per cent of the voting-age population, are expected to participate in the elections here, which fall on the same day as the US presidential voting. Despite their status as US citizens, however, residents of this Caribbean island may not vote for president.

One leading newspaper poll predicts that Mr Hernandez Colon, who favours continued Commonwealth status – self-government within US laws – for Puerto Rico, will win with 38 per cent of the vote, compared to 31 per cent for statehood advocate Baltasar Corrada del Rio, and eight per cent for Ruben Berrios Martinez, who demands complete independence for the island.

On Sunday, the last full day of campaigning, all three party leaders held huge rallies in various parts of San Juan.

Israel agrees to lift disputed trade barriers

By Andrew Whitley in Jerusalem

ISRAEL HAS AGREED to phase out a number of controversial import barriers which have been the subject of repeated protests by its main trading partners, the US and the European Community.

Resolution of the disputes, after prolonged negotiations in Washington, lifts a large cloud hanging over the three-year-old Free Trade Agreement between the US and Israel. It also eases the threat of retaliatory action by the EC.

The two principal bones of contention were an import equalisation levy – the so-called "Tama tax" – and the exemption of Israeli manufacturers from a purchase tax levied on imported raw materials and semi-finished goods.

Whereas Brussels has been more exercised over the former, Washington's main concern dwelt on the inequity of the latter. Another, specific concern of US industry, an effective ban on imported plywood, imposed by the Israeli government at the request of a local cartel, was also alleviated.

After three weeks of negotiations with a US team led by Mr Michael Smith, the Deputy Special Trade Representative, an Israeli delegation agreed that the Tama tax will be abolished by January 1, 1995. This is the target date for the ending of all trade barriers between Israel and the US. Washington was insistent on meeting the deadline.

Israel's main achievement in the often difficult negotiations – repeatedly extended so as to avoid having to refer to non-binding arbitration – was the six-year breathing space it gained Tama. The US had initially demanded that it be abolished immediately.

The purchase tax exemption – covering 41 categories of goods ranging from wine and furniture to textiles and footwear – will similarly be abolished in phases by 1995. One category of goods will see its comparative advantage over finished imports eliminated as soon as January 1, while the most sensitive items – mostly textiles and clothing – will enjoy its benefits for a further six years.

Although not explicitly spelt out in the protocols signed last Friday, Israeli officials are understood to have agreed that the benefits resulting from Tama's abolition would also be applied to other trading partners.

The US accord marks a significant advance on a tentative, earlier EC agreement. A stated willingness to permit access, for the first time, to import tariff calculations assures an important degree of "transparency" in trade relations with Israel which did not exist before. Exporters to Israel frequently complain about the difficulty in calculating the basis for import taxation.

Brazilians head Third World drive at Gatt

By William Dullforce in Geneva

BRAZIL yesterday spearheaded a Third World drive to get the world's trade ministers to reaffirm the principle of special treatment for developing countries, when they meet in Montreal in December.

At the annual meeting of the General Agreement on Tariffs and Trade (Gatt), one delegate after another warned the US and other industrial powers not to count on Third World co-operation at the mid-term review of the trade-liberalising Uruguay Round in Montreal unless they made a greater effort to meet developing country interests.

The rich countries were "refusing to acknowledge factual and objective differences between nations," Mr Rubens Ricupero, the Brazilian ambassador to Gatt, said.

The commitment to promote development made by ministers, when they launched the Uruguay Round in 1986, had been disregarded and undermined in practically all the 14 subjects under negotiation.

Brazil itself had been the victim of unilateral and illegal actions by the US Government, he added. He was referring to the US imposition of duties on imports from Brazil in return for Brazil's alleged failure to provide patent protection for US pharmaceuticals.

Developing countries' criticism of the industrial powers' behaviour at the Gatt meeting followed the charge by Latin American countries last week, that "profound asymmetries" had come to the surface in two years of trade talks.

The big powers had exerted pressure to obtain results in so-called new areas – services and intellectual property – without responding adequately to Third World priorities, the member countries of the Latin American Economic System (SELA) stated.

The link between trade, international finance and Third World debt had to be incorporated in the Uruguay Round, their statement added.

There would be no progress in the round if the industrial powers persisted in ignoring the principle of special and more favourable treatment for developing countries, the Latin American declaration warned.

Among the specific results the developing countries expect at Montreal is the opening up of developed markets to tropical products.

Another demand is that industrial countries abide by the trade ministers' 1986 standstill commitment. Governments then undertook to introduce no new protectionist measures during the four-year Uruguay Round.

● Mr Arthur Dunkel's appointment as Gatt director general was extended yesterday until September 1991 by the Gatt annual meeting. He has held the job since 1980. The extension will enable the Uruguay Round to be completed under his aegis.

● The US indicated yesterday that it would retaliate against the European Community, if the EC put its ban on imports of hormone-produced meat into effect in January 1.

Mr Michael Samuels, deputy US Trade Negotiator, said at the annual Gatt meeting that the EC had blocked discussion of the matter in Gatt's committee on technical barriers to trade for over a year. The US would have to defend its trade rights "in alternative ways."

Egypt fights to revive Arab arms venture

Tony Walker on plans to unfreeze funds for a long-established military organisation

WHEN Lieutenant-General Ibrahim al-Orabi took over as chairman last year of the Arab Organisation for Industrialisation – an Egypt-based arms manufacturing conglomerate – he set himself the task of quickly revitalising an organisation that had not realised its potential.

Twelve months later Lt-Gen Orabi, a tough career soldier-turned-businessman, has made the AOI a sharper commercial organisation. However, he still has some way to go towards achieving his broader aims of securing new funding, establishing a new ownership structure and settling a big project that would complement his efforts to give the AOI a higher profile.

Lt-Gen Orabi, the former Commander-in-Chief of the Egyptian armed forces, said in an interview in his modern office in the busy Abassiya district of Cairo that his "real battle" was to persuade Arab states of the need for the AOI and the benefits that would accrue from a strengthened organisation.

When the AOI was established in 1974 with capital of $1.04bn, subscribed by Egypt, Saudi Arabia, Qatar and the United Arab Emirates, its task was to acquire sophistication in arms manufacture that would balance Israeli expertise. The Arabs hoped the AOI would form the nucleus of a regional arms industry that would give them a degree of self-reliance.

But the suspension by most Arab states of relations with Egypt - in protest at its 1979 peace treaty with Israel – scuppered many of the organisation's ambitious plans. Saudi Arabia, the UAE and Qatar froze their investment and said they were withdrawing from the AOI.

Egypt, in consultation with its former partners, is now looking at a different formula that would allow the utilisation of some $700m of frozen funds that have been held in blocked European bank accounts since 1979.

It also hopes to attract additional investment. One proposal is for Egypt's original partners to become shareholders in the organisation with seats on the board but removed from day-to-day management decisions. It is also possible that other Arab states may be invited to participate as shareholders.

As Lt-Gen Orabi pointed out, such a step would require a political decision by the respective governments. In the meantime he is pursuing priorities that include boosting the AOI's research and development capabilities and developing a marketing division (AOI surprisingly had no marketing section when Lt-Gen Orabi took over). He also seeks to extend AOI's co-operation with its existing partners which include several British companies, and searching for a large contract to reduce the under-utilisation of its factories.

His proposal to Westland Helicopters of the UK that the two organisations join in the manufacture of the EH101 utility troop-carrying helicopter fits neatly into the latter ambition. Co-operation would also have the advantage for AOI of helping to persuade the British company to shelve its £200m action, initiated in the International Chamber of Commerce in Geneva, against AOI.

Westland is seeking compensation for the abandonment of a project to manufacture Lynx helicopters by the AOI when Egypt's former partners withdrew in 1979. Westland has indicated that litigation would be dropped if a new co-operative venture goes ahead to build the EH101, which has been developed in a 50/50 venture by the UK company and Agusta of Italy.

"If we can get a good commercial deal," said Westland, "then that could lead to the settlement of the litigation." Westland officials warned, however, that discussions were still at an early stage and there were reservations about a possible deal. The size of the market for the EH101 in Egypt and in the wider Arab world had not, for example, yet been clearly established.

Lt-Gen Orabi said an attraction of the EH101 was that Rolls- Royce (RTM 322) engines for the helicopter could be assembled in Cairo at the Arab British Engine Company (Abeco) in which Rolls Royce is a partner.

On a recent visit to England he discussed with Rolls-Royce its possible involvement in the project. Egypt and Rolls-Royce recently signed a contract for continued maintenance work on Sea King helicopters used by the Egyptian air force.

Lt-Gen Orabi is also keen to extend co-operation with another British company – British Aerospace – in the manufacture of anti-tank missiles. AOI and the UK company are at present discussing a replacement for the Swingfire missile they have been producing in partnership for some time.

Lt-Gen Orabi, who gives the appearance of being a man in a hurry, said that if Westland and Agusta decided against the EH101 project, there were other contenders. One of these is understood to be the Sikorski-built Black Hawk which has been offered under the US foreign military sales programme that provides Egypt with funds of about $1.3bn annually.

Describing the proposed helicopter deal as a "strategic project," Lt-Gen Orabi said it fulfils one of the AOI's "precious aims" which is to produce sophisticated systems of armament, both for export and for the Egyptian military.

Far Eastern countries fuel Caribbean clothing boom

By Alice Rawsthorn

THE CARIBBEAN basin is experiencing a boom in clothing production thanks to an increase in investment by Far Eastern clothing companies turning to the Caribbean as a base from which to export to the US.

The industry in the Caribbean expanded rapidly in the 1970s, when giant US textile groups began to establish manufacturing bases in the region. But in recent years, according to a new report* from the Economist Intelligence Unit, the Caribbean has attracted investment from Hong Kong and South Korea. Since early 1986 South Korea has provided investments worth $6.6m (£3.7m) in 15 Caribbean clothing plants.

This investment has been fuelled by the imposition of stricter restraints on imports of clothing from the Far East into the US. Another factor is the Caribbean's low labour costs: from $0.81 an hour in Haiti, compared with over $2 in Hong Kong. Freight costs are also lower because of the proximity of the US market to the Caribbean.

Imports of clothing from the Caribbean by the US increased in volume by 26 per cent last year and trebled in the five years from 1982.

The EIU expects this growth to continue though there may be a slowdown in the rate of expansion in US clothing demand. The EIU suggests also there that there might be restrictions on imports of clothing from the Caribbean made from fabrics sourced outside the US.

"The Caribbean Clothing Industry" by Peter Steele is available from the EIU, 40 Duke Street, London W1A 1DW for £245.

UK announces £340m export credits to Iraq

BRITAIN yesterday announced new lines of credit for exports to Iraq worth £340m ($600m) over the next year, nearly double the £175m agreed for 1988, Victor Mallet writes.

Mr Tony Newton, UK Trade and Industry Minister, concluded the trade deal in Baghdad at the annual meeting of the UK-Iraq Joint Commission. He said UK companies should now be able to win contracts worth nearly £400m in 1989.

The increase reflected the confidence of the British Government in the long-term strength of the Iraqi economy and opportunities for increased trade following the ceasefire in the Gulf war, he said.

Morocco places $450m order for Boeings

ROYAL Air Maroc has placed a firm order for 10 Boeing passenger jets worth $450m and has taken an option on a further 10, Francis Ghiles writes.

The aircraft will be a mixture of 737-400 and 737-500 jets. They will be delivered between May 1990 and May 1994 and will help to renew Morocco's fleet of ageing 727s and 737s. The size of the order reflects the growth of the Tunisian tourist industry.

● Air New Zealand, which is in the process of being offered for sale by the Government, has launched an expansion programme with increased services to Singapore, Hong Kong, Tokyo and Tasmania.

Insurers back away from shipping compliance fines

By Andrew Taylor

TWO international insurers said yesterday they would not provide cover for shipping agents and brokers against fines imposed under compliance agreements filed with the US Federal Maritime Commission affecting liner traffic between the US and north Europe.

Compliance agreements setting out the rules governing trading relationships between conference lines are policed by a Zurich based enforcement agency TAG/ICIB Service which has the authority to impose fines up to $300,000.

Shipping agents and brokers are concerned that shipping lines may try to impose contract conditions which would enable them to pass on fines to agents and brokers.

Two independent mutual insurance companies CISBA-CLUB and TIM, both based in London, have warned members that neither will provide cover for fines passed on by shipping lines under compliance agreements. The two companies provide insurance for about 800 brokers and agents worldwide.

Mr Paul Smith, a director of CISBACLUB Management, said the Zurich enforcement agency was not bound by normal rules of evidence. It had the authority to demand documents and could impose fines on agents which refused to hand them over.

The Federation of National Associations of Shipbrokers and Agents recently passed a resolution condemning compliance agreements as "iniquitous and contrary to generally accepted ideas of justice."

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THE VOICE OF SOUTH AFRICAN BUSINESS

Big mining ventures in prospect for South Africa

Derek Keys, Chairman of Gencor talks to John Spira, Finance Editor of the Johannesburg Sunday Star.

Spira: Gencor is widely known as South Africa's second-largest mining house. But there's a great deal more to Gencor than just gold mining. What is the scope of the group's activities?

Keys: More than half of Gencor's profits come from mining. The composition of our mining income differs from those of other mining houses because we have a very strong hand in base minerals, fundamentally represented by SA Manganese Corporation (Samancor) but also by Richards Bay Minerals. Consequently, our gold mining interests are, percentage-wise, not as large as those of, say, Anglo American and Gold Fields of SA.

We have a large stake in platinum, where we are the other large player in the platinum market in South Africa. We also have, via Trans Natal, a major situation in coal, concentrated in the export market and distinguishing us from Amcoal, which has a very big position in Eskom supply. So we're a mining house with a difference.

Outside the mining field, we've got Sappi, which is a pulp and paper player of world class. It enjoys large export sales, with products well-diversified in terms of product types and the markets to which they go. We believe Sappi has extremely good prospects. In addition, we have a large and diversified portfolio of other industrial companies — a portfolio built up in a fairly atomistic way but which has now been brought together under the umbrella of a group company, Malbak. We believe that with the outstanding management that is characteristic of Malbak, this portfolio will evolve into a dynamic industrial conglomerate at least the equal of any which exists in South Africa today.

We regard our investment portfolio and activities as being separate from our mining operations and a good percentage of our profits comes from running that portfolio. We have an associated investment company called Genbel, which has a net worth of nearly R2 billion, and which acts as an adjunct to our investment activities in Gencor.

Combining the two aspects of Gencor's industrial interests, you have a substantial profit earning activity, which is being more dynamically run than in the past which can also be an important profit contributor in the future, in addition to being a valuable source of future funds for new projects.

Gencor employs some 250 000 people and controls net assets of about R9 billion.

Spira: What is Gencor's policy regarding the decentralisation of management?

Keys: We believe in giving the associated businesses a lot of autonomy and independence. We look to them for entrepreneurial action. As an illustration of this principle, we are going the route where we shall no longer be consolidating our active companies.

For a good number of years, the Gencor balance sheet has been a strange one insofar as we have never consolidated a gold mine, even where we've owned large percentages of those mines. Yet we've consolidated Sappi, which meant that we had all of Sappi's consolidated debt on our balance sheet and only a portion of our mining assets. To make the accounts consistent, we've decided to go the route of not consolidating anything. We've reduced our interest in Sappi to 50 percent; our interest in Malbak is at a level which means we don't have to consolidate that company; and the same applies to various other interests.

So we're now presenting ourselves as what we are — a pool of risk capital with connected businesses that are in our sphere of control but which in no sense can be regarded as one large business.

Spira: How would you characterise Gencor's approach to industrial relations?

Keys: We think the best industrial relations policy is made by smart line managers who have been trained on industrial relations issues. That's the way we try to run this group.

In other words, it's the mine managers that we look to for the winning line in terms of industrial relations. We don't have a centralised industrial relations policy that we try to sell, disseminate and impose on our managers. We try our best to ensure that our people are properly informed on the issues of the day. But we leave the final implementation to them. Some are better than others. Yet all of them are better acquainted with industrial relations than we at head office, where we're too remote from the interface with labour. I believe this approach has been outstandingly successful — in good times and bad.

When we had the mine strike last year, Gencor had the greatest number of mixed situations — situations where 40 percent of the labour force was working and 60 percent wasn't working. This is the type of fundamental situation where you get intimidation and strife. Those people were living, by and large, in the same hostels and we nevertheless didn't have an undue number of violent incidents, nor did we suffer an undue loss of production. And we eventually got everyone back to work in a good frame of mind. So in a bad time the approach worked very well.

In a good time, like this year, we've had a minimum of labour problems. I ascribe this to putting the responsibility for good industrial relations where the responsibility for good industrial relations belongs. I ascribe it to a lack of ambition at the centre of Gencor to prescribe what should happen.

Spira: How do you see the outlook for industrial relations in a mining context?

Keys: I have to be optimistic, because I think there's so much that can be done — in terms of training, equal opportunity and increased productivity. My experience of the effect on the recipient of those three factors is that job satisfaction is enhanced to such an extent that I'm really looking to them to be a lubricant in the furtherance of industrial relations in South Africa in the next five years. I genuinely believe that we're going into a fundamentally good situation, with people doing more, getting paid more and having more demanded of them.

We at Gencor have set ourselves a goal of having an identity of interest with our employees. We really mean what we say. I want the man at the workface to be as keen for Gencor to do well as I am.

Spira: Does Gencor have a clearly defined mission of which all employees are aware?

Keys: Yes indeed. Gencor's aim is real growth. Gencor's business is targeted on starting or acquiring major business ventures and accelerating the development of our existing businesses. Gencor's goals are to achieve the esteem of the communities in which we operate, to achieve an identity of interest with our employees, to achieve the admiration of our customers and suppliers and to achieve a higher than average return for our shareholders. Finally, Gencor's style is to encourage the creation and development of independent entrepreneurial and participative managements to whom we delegate responsibility for their share of our mission.

Spira: How do you view South Africa's future in terms of world gold production against the background of the country's declining share of global output?

Keys: One has to understand why we're lagging behind. We haven't opened as many new mines as we might have done owing to soaring costs. But there are new mines coming in the treasure house that is South Africa. Gencor is spending, in real terms, five times as much on gold exploration as we were three years ago. Outside Gencor, there are many active gold mining exploration companies which have marshalled funds and which are applying them to prospective new ventures. We know from what we encounter in the areas where we're acquiring options and putting down boreholes that the other mining houses are spending a tremendous amount of money. So there's a lot of spending on gold exploration going on.

Gencor is putting a lot into exploration because we think there's a better-than-even chance that we can find new exploitable reserves. It takes a long time and it costs a lot of money — more than R1 million to put down a single borehole. But we have our geological models and we're going after big prospects.

Spira: What does the future look like in the other areas of mining?

Keys: We know where all the coal is. There are huge reserves and Gencor has its share. We more or less know where all the platinum is. There's been a scramble for platinum in the past couple of years and we've done our fair share here. We're not entirely satisfied with what we've got but what we have in train could produce what we want, which is to be a substantial long term player in platinum. In the manganese and chrome spheres, Gencor's Samancor is dominant in world markets and it has reserves for a thousand years. In addition, for Samancor there are many opportunities down the beneficiation route.

Spira: Sanctions have clearly hurt Gencor's coal interests. How badly?

DEREK KEYS

Keys: Ironically, South Africans have been our worst enemies. When sanctions started to reduce our marketing possibilities, some of the players panicked. Gencor hasn't been directly affected by any sanctions but the South African suppliers who were affected by sanctions started dumping their output in markets where we were established.

It happened at a time when Colombian coal production was coming on stream and when the Chinese thought they were in a position to offer much more coal, so suddenly we were surrounded by people offering coal at stupid prices. In that way sanctions had a profound impact on us. In terms of volume, we weren't affected. Once the Colombians couldn't deliver the quantities they thought they could and the Chinese couldn't deliver either the quantity or the grade they promised, we had people knocking on our door every week for more capacity which we couldn't supply.

Prices have since hardened but the situation hasn't got back to normal in the sense that if you look at any study of world steam coal trade up to two years ago, you will have seen that by 1998 they had 90 million tons coming out of South Africa because we were the lowest-cost producer, with all the port facilities and infrastructure. Now, because of sanctions, you won't see any such projections. The formerly perceived bright future has been dimmed and it will remain dim until sanctions have been effectively countered. And the predictions are important to the extent that they affect investment in South Africa's coal mining industry.

Spira: Have sanctions harmed Gencor in other areas?

Keys: No.

Spira: What are the prospects for the South African economy in the year ahead?

Keys: I don't see a particularly strong domestic economy until events take place that reduce the current level of uncertainty among businessmen.

Spira: What are your comments on the pace of economic and political reform in South Africa?

Keys: To me, economic reform means what businessmen can do in terms of progress. We can still do a great deal. I don't know of a businessman that has taken the same risk with his constituency that President P W Botha has taken with his constituency in order to try and bring about political reform. So business can and ought to be more enterprising.

Spira: What progress is Gencor making in the area of synfuels?

Keys: We're heavily involved and we want to be involved. But private sector participation in synfuels — Gencor in the case of the Mossel Bay oil-from-gas project as well as the torbanite project — will only be feasible if a combination of the world oil price and the government financing formula produced the right answer.

We're quite impressed with what the Energy Fund has come up with so far in terms of a financing formula. But with world oil prices at their present depressed levels, the formula isn't sufficiently attractive to justify a private sector project.

Gencor has to decide about the implementation of the torbanite project within the next year. One of the two factors will have to change to produce a more favourable result if we're going to go ahead with that. In the case of Mossgas, we probably have till 1992 to make our decision about a major investment. One of the two variables will have to change for the better to make that project more viable.

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Taiwan's bills for industrial pollution mount

By Bob King in Taipei

THE state-owned Taiwan Power Company has agreed to pay $86m to residents of Hongmao Harbour in southern Taiwan as compensation for pollution caused by the utility's thermal power plants.

The payments are part of a snowballing move by Taiwan's citizens to halt rampant industrial pollution, much of which has existed for several decades. Complaints previously were shelved because the Government considered economic growth more important than its side effects.

The agreement follows a similar one reached in mid-October between industry, the Government, and residents of villages near the Linyuan Industrial Zone, also in southern Taiwan. There, the companies concerned agreed to pay villagers T$1.27bn ($43m) in compensation for damage caused to coastal areas and fishing grounds by polluted waste water from 18 large petrochemical plants in the zone.

Residents invaded the zone in early October, forcing the shutdown of the 18 plants, including a pair of government-owned naphtha crackers. The zone supplies as much as 40 per cent of feedstocks for Taiwan's plastics industry, on which much of the country's downstream industry depends.

Under yesterday's settlement with the Hongmao residents, Taipower agreed to pay each of an estimated 4,000 families of the harbour area T$5,000 a month over 10 years, or a T$600,000 lump settlement, to rent or buy other homes.

Residents had threatened to cut supplies of coal to local power plants, which could have caused serious power cuts in the heavily industrialised south, if their demands for pollution control and compensation were not met.

As the Government was resolving one dispute with residents of Hongmao, though, another confrontation was building between villagers who live near Kaohsiung International Airport and the authorities. This group of protestors has threatened to blockade the busy airport if sound-barriers and other pollution-control devices are not installed. They are also asking for T$500,000 in compensation for each of the 1,900 families in the area.

Forged certificates worry stock brokers

HUNDREDS of forged stock certificates valued at millions of Taiwan dollars have been discovered in Taiwan brokerage houses, and stock exchange officials said yesterday they suspected more fakes were still in circulation, Reuter reports from Taipei.

"We don't have an official figure on how many have been found because we are still looking for more," one exchange official said.

So far brokers have found over 500 bogus certificates for four listed companies with a total face value of about T$27m ($800,000). While it has only 151 listed companies, daily turnover on the Taiwan market often exceeds T$28bn, more than all other South-east Asian markets combined.

A spokesman for the Taiwan Stock Exchange said that individual brokerage houses would be responsible for reimbursing investors who mistakenly bought the fakes.

The forgeries came to light last Thursday, when brokers discovered four false 1,000-share certificates of Ruentex Industries. Other brokerage houses then found forged certificates for Ruentex, Universal Cement, Tung Ho Textile, and the Medium Business Bank of Kaohsiung. Taiwan's Bureau of Investigation said yesterday it was searching for the man under whose name the stocks were cashed in.

Court urges relaxation in Pakistan voting rules

By Christina Lamb in Islamabad

A HIGH COURT in Pakistan has asked the President to consider relaxing the condition that identity cards must be shown in order to vote in the forthcoming elections. His decision will determine the voting rights of millions of people and may be crucial in the close contest expected.

The request from Lahore High court came during consideration of a petition, filed by the opposition Pakistan Peoples Party, which says that the condition that registered voters must have identity cards to vote, contravenes the Constitution and would disenfranchise millions of voters.

Defending the condition, the Attorney-General announced that the President had issued an ordinance making the production of identity cards compulsory but the court pointed out that this condition only applied to those who had already been issued cards.

National identity cards were made compulsory by the last PPP government in 1973 but Miss Benazir Bhutto, the PPP leader, claims that up to 30 per cent of people in towns and 60 per cent in rural areas do not possess them. The figure is particularly high among women where the PPP is expecting a major share of the vote.

Miss Bhutto alleges that thousands of bogus cards have been issued to rig the elections. Nearly 5,000 cards were stolen from a registration office in Karachi on Saturday while a government servant in Lahore was found to have 6,000 blank cards.

Nigerian Islamic protest

STREET protests broke out in the northern Nigerian city of Sokoto on Sunday after the selection of a new spiritual leader for millions of Moslems, Reuters reports from Lagos.

Crowds chanting *"Bamu So"* meaning "We don't want" in the Hausa language, greeted the news that Mr Ibrahim Dasuki, 64, a millionaire, had become the 18th Sultan of Sokoto, the government-owned New Nigerian and other leading dailies said in reports from the city. Mr Dasuki's appointment to the most revered traditional title for Nigerian Moslems, who say they account for about half the country's 100m people, ended several days of confusion about the sultanate.

The appointment reversed an unofficial announcement last Thursday that Mr Mohammadu Maccido had succeeded his late father. Sir Siddiq Abubakar died last Tuesday

Revolutionaries push Sri Lanka to the brink

David Housego reports from Colombo on fears of anarchy as elections draw near

SRI LANKA is hovering on a knife-edge between the faltering democracy that it now is and a downward slide into anarchy and revolution.

The notebook of a journalist in Colombo quickly fills with those expressions of fear and foreboding which show that what once seemed inconceivable has now become possible. An island paradise, already torn by an ethnic struggle in the north, now faces the prospect of its political institutions falling apart under the pressures of an armed revolutionary movement that has its strength in the south.

"If the presidential elections can be held next month (they are due on December 19) and the result is seen to be reasonably free and fair, then we could have a government with the legitimacy to tackle the problems," says one of the more optimistic of Colombo's senior diplomats. "But democratic institutions are severly strained. They may not come through the crisis. They could collapse."

An experienced Asian diplomat says: "I foresee a period of anarchy in this country."

Mr Ronnie de Mel, the former Finance Minister now in the opposition, declares: "The Government's writ does not run beyond Colombo – and the army camps and police stations outside."

An academic says: "The distinguishing feature of the present situation is the breakdown of the state and government apparatus."

Fly into Colombo and you can at first be deceived by an appearance of normality. Military patrols are discreet. Traffic jams and crowded pavements point to a city at work. The curfew does not begin until 11 pm.

But behind this, the Government's authority – and hence the resilience of the country's political institutions – is daily being put to the test by the extremist People's Liberation Front (JVP). The main battleground ahead is the presidential election for which candidates must file nominations on Thursday.

If the JVP can frighten parties from campaigning or force a boycott of the poll, then they will rob the victor of any claim to a popular mandate. Recent slogans calling for a JVP government suggest that their next objective is to take over the administration itself. It is with this possibility that Sri Lankans are slowly having to come to terms.

From being a marginal movement 18 months ago, the JVP have built up a strength and organisation to stretch the armed forces to their limit. They use selective killings to intimidate opponents, officials and the police. They have been encouraged in such tactics by the Government's own use of assassination squads in the growing brutalisation of Sri Lanka political life in recent years.

On the basis of fear, they have forced shopkeepers to close down and government workers, bank clerks and busmen to come out on strike. Their orders are made known through leaflets and posters clandestinely distributed at night. It is this "unseen hand" that causes many Sri Lankans to draw frightening parallels with Pol Pot's regime in Kampuchea.

Last week they succeeded in stealing some 400 weapons – including automatic rifles – from an army camp evidently with the help of some of the guards. They have also set out to humiliate government officials. The civil servant in charge of Kalutara district south of Colombo was recently forced to parade outside his office carrying a poster declaring the Government was corrupt and that he himself should resign.

The hard-core JVP was thought to number no more than 1,000 organised in a classic Marxist structure of a central committee and politburo. Their leader remains Mr Rohana Wijeweera, who led an earlier attempt to take over the Government through armed revolution in 1971. But the movement now is less socialist than anti-Indian, pro-Sinhala nationalist and anti-establishment.

They have gained enormously in strength from the unpopularity of the Indo-Sri Lanka Peace Accord last year which has left 60,000 Indian troops in the north and thus stirred historic anti-Indian paranoia. Their appeals to Sinhalese chauvinism have fed on the national humiliation provoked by the Tamil separatist movement which in turn has revived dreams of a Sinhalese empire.

Among disaffected youth who are their main recruiting ground, they have become the focus of frustrations and bitterness over high unemployment, corruption and overcrowded education facilities. The universities have been closed since last November and schools for several weeks.

President Junius Jayawardene has also provided them with ammunition by not holding general elections for 11 years and thus fostering the belief that his Government would use all means to cling to power notwithstanding its growing unpopularity. The JVP have thus been able to project themselves as the guardians of democracy determined to use their leverage to gain fresh parliamentary elections.

Sri Lanka's main political parties have up to now been too fragmented and bitterly divided to provide a united front to the terrorist threat. Mr R. Premadasa, the Prime Minister, has been pursuing his own ambitions to succeed to Mr Jayawardene and negotiating with the JVP. So has Mrs Sirimavo Bandaranaike, the leader of the Sri Lankan Freedom Party, and the other main presidential candidate, who until this weekend was negotiating an electoral alliance with the JVP.

Many civil servants and much of the middle class have implicitly helped the JVP cause by refusing to condemn the movement. They have hoped that a conciliatory stance would keep the JVP – and hence much of youth – within the existing political framework. They have also sympathised with many of its attacks on the Jayawardene administration and its anti-Indian stance.

With the JVP now being increasingly seen to pose a threat to the country's democratic institutions, political parties and middle-of-the-road opinion are beginning to have second thoughts. Colombo is alive with talk of the dissolution of Parliament, caretaker governments and national coalitions in an attempt to stave off the crisis. But it is by no means sure that the country will step back from the abyss.

Iran offers talks on UK links

IRAN HAS announced it will hold further talks with Britain today to discuss the proposed restoration of full diplomatic relations, although the British Foreign Office said yesterday that it was not aware of any arrangements for new negotiations, writes Victor Mallet.

Tehran Radio said an Iranian delegation, led by Mr Mahmoud Vaezi, Foreign Ministry director-general for European affairs, was on its way to Vienna for the meeting. Mr Mohammad Akhundzadeh Basti, the Iranian Chargé d'Affaires in London, has had frequent meetings with British officials in the past few days.

Khomeini expression

Iran's leader Ayatollah Ruhollah Khomeini said that free social expression is the best way to settle disputes in society, AP reports from Cyprus. It appeared to be another loosening of control over a society that has been virtually closed since the Islamic revolution in 1979.

Indian general killed

Sikh gunmen shot and killed an Indian army general in Punjab yesterday as five days of Sikh separatist violence left at least 78 people dead in the north Indian state, police said, Reuter reports from Chandigarh. Maj Gen B.N. Kumar, a Hindu, was shot by two Sikh gunmen as he left his home in Chandigarh to go to his office.

Coup ship returns

Two Indian frigates yesterday escorted the badly damaged ship, Progress Light, across the Indian Ocean to the Maldive Islands, Reuter reports from Male. On board the frigates were 46 rebels and mercenaries who had seized the freighter, snatching hostages as they fled Male after failing in attempt to topple President Maumoon Abdul Gayoom.

Kampuchea talks

Warring Kampuchean leaders began talks yesterday on ending a decade of conflict in their country but without the presence of the Khmer Rouge, the main opposition force, Reuter reports from Fere-en-Tardenois, France.

Tunisian leader promises April elections

By Francis Ghilès

PRESIDENT Zine El Abidine Ben Ali of Tunisia yesterday said presidential and parliamentary elections would be held on April 8 next year. He was speaking to the Tunisian National Assembly on the first anniversary of the day he deposed Mr Habib Bourguiba, his authoritarian predecessor.

Earlier yesterday the leaders of the country's trades unions, six recognised political parties and a representative of the Islamic Tendency Movement signed a national pact which enshrines the principle of multiparty democracy. The announcement of the elections confirms the trend towards democracy which has characterised Tunisian politics

The opposition boycotted the last general elections held two years ago, arguing that they had no guarantees that the polls would be fair. As at every election since Tunisia gained independence in 1957, the ruling Socialist Destour Party – now renamed the Rassemblement Constitutionel Democratique – won all 125 seats.

The presidential elections will be the first since 1974 when the former head of state stood unopposed and was elected for life. Mr Ben Ali is expected to run unopposed next year, not least because the opposition parties wish to encourage the President to relinquish his post as head of the ruling party and allow the office of President to stand above party politics.

Everything Mr Ben Ali has done in his first year as President suggests he would like to distance himself from the ruling party.

Namibia talks will focus on Cuba's Angola pull-out

By Michael Holman, Africa Editor

NAMIBIAN independence negotiations are due to resume in Geneva on Thursday for what diplomats describe as one of the most critical sessions since the talks began in London last May.

The main purpose of the talks is to close the gap between South Africa, and Angola and Cuba, over the timetable for the withdrawal of 50,000 Cuban troops from Angola. Pretoria has made implementation of a UN plan for Namibia's independence conditional on a Cuban withdrawal. The US, chairing the talks, last month put forward compromise proposals to South Africa and Angola and Cuba, setting out a timetable for the withdrawal of 50,000 Cuban troops from Angola.

South Africa has said it will respond "flexibly" to the proposals, which envisage the pullout of 4,000 Cubans before Namibia begins a 7-month transition to independence, tentatively scheduled to begin on January 1 1989.

The remaining Cuban force would move north of a line 150 miles north of the Namibian border, with effect from March 31 next year, and to 250 miles from the border from June 30.

Repatriation of 36,000 Cubans would take place during the first year of Namibia's independence, and the balance during the second year.

Troop withdrawal terms tabled by South Africa and Angola in Brazzaville at the end of September left a gap between the two sides.

South Africa, which originally insisted on a 7-month programme, offered a 2 year timetable.

Lange passes on sacked minister's portfolio

MR DAVID LANGE, the New Zealand Prime Minister, yesterday handed over the portfolio of a minister sacked in a row over the sale of state assets and said the programme of selling the assets would continue, Reuter reports from Wellington.

Mr Lange told a news conference that a Cabinet meeting yesterday was calm with no criticism of his actions and that Mr Stan Rodger, the Labour Minister, had taken over the portfolio of Mr Richard Prebble, the sacked State-owned Enterprises Minister.

Mr Lange earlier said in a radio interview that his actions did not affect the Government's commitment to a programme of selling NZ$2bn (£700m) worth of state assets by March 31 in order to repay foreign debt.

"That is something which we're going to have to continue with," he said. "We have to do it efficiently, we're going to have to get the money in."

Rodger: takes portfolio

Mr Prebble lost his portfolio, under which he ran NZ$20bn worth of government businesses, on Friday. Mr Lange said he had differences with Mr Prebble over the method of selling the assets. Mr Prebble was later sacked from the Cabinet after he accused Mr Lange of being dictatorial and irrational.

Opposition seeks inquiry into Aboriginal agency

By Chris Sherwell in Sydney

CONTROVERSY has deepened over alleged corruption in the Australian Government's sensitive Aboriginal Affairs portfolio, leading the opposition to intensify calls for an inquiry and provoking a public demonstration by Aborigines in Canberra.

The Labor Party Government yesterday agreed that the already-announced comprehensive audit of the Aboriginal Development Commission (ADC) would extend to the Aboriginal Affairs Department itself "as appropriate".

But it rejected opposition Liberal Party calls for a Royal Commission or judicial inquiry, and there was no sign that Mr Gerry Hand, the Minister for Aboriginal Affairs, would resign.

A group of around 100 protesters yesterday demonstrated in support of Mr Charles Perkins, the former permanent secretary of the department, who was suddenly sacked by Mr Hand last Friday. Mr Perkins says he has been deprived of "natural justice" and is demanding reinstatement.

The sacking followed an irreconcilable difference of opinion with Mr Hand over the Aboriginal Development Commission's recent funding of an Aboriginal social club in Canberra, and in particular its expenditure on gambling "poker machines".

The demonstrators, who included a number of Aboriginal members of Mr Hand's department and Mr Neville Bonner, an Aboriginal former senator, say Mr Perkins is a scapegoat.

Mr Hand told parliament yesterday that, apart from the expanded audit by the Auditor General, the Public Service Commissioner would investigate questions of personnel management in the department and that further necessary inquiries would be conducted by a former deputy secretary in the Attorney General's Department.

Israeli president seeks broad coalition

By Andrew Whitley in Jerusalem

PRESIDENT Chaim Herzog of Israel yesterday urged the formation of a broadly based government charged specifically with reforming the country's electoral system and holding fresh elections within a short period.

Mr Herzog's plea – at his first meeting with representatives of the two largest parties, Labour and Likud – was aimed at breaking the deadlock following the failure of last Tuesday's general election to produce a clear-cut coalition of either the right or the left.

First reactions from Labour, which faced an uphill struggle in putting together its own coalition, were favourable. Mr Uzi Bar-Am, the party's secretary-general, said that while he rejected another national unity government of the sort which has run Israel for the past four years, he would accept a transition government with a fixed lifespan of six to 12 months.

Likud greeted the surprise proposal with silence. Although Mr Yitzhak Shamir, the Prime Minister, has over the past few days faced increasing difficulties in getting the ultra-Orthodox parties, whose support he needs, to work together, Likud politicians still say they are confident of the upper hand over Labour in trying to put together a government.

Two developments over the past 24 hours have, however, taken the wind out of Likud's sails. The eruption of long standing rivalries between the two largest ultra-Orthodox parties – Agudat Israel and the Sephardi Torah Guardians (Shas) – weakened the right-wing party's assurances to President Herzog that it could maintain the support of a solid bloc of religious and so-called "nationalist" parties in the Knesset.

In a second blow yesterday, two of Mr Shamir's small, erstwhile allies on the right – the National Religious Party (NRP) and Tzomet – both endorsed the President's proposed broad coalition.

Gen Rafael Eitan, Tzomet's leader, publicly linked his support for the idea to a need to curb what he described as the exaggerated demands of the religious parties.

Although the NRP and Tzomet between them hold only seven Knesset seats, if they were to withhold their support for a Likud-led coalition Mr Shamir would be unable to command a parliamentary majority.

Electoral reform, designed to limit the extreme form of proportional representation in use in Israel, has long been on the political agenda.

Hpowever, the consistent opposition of the small religious parties, who stand to lose most, together with the Likud's reluctance to offend likely coalition partners has always prevented proposals reaching the statute book.

Koor offers fresh plan to creditors

By Andrew Whitley

KOOR INDUSTRIES, the huge Israeli conglomerate struggling to avoid being forced into liquidation, is to present a revamped recovery programme to the Israeli Government and to foreign and domestic creditors over the next few days.

Approval of the recovery programme – few details of which have yet been made public – is essential if Koor's management is to gain general support for the group's survival in its present form.

After a 30-day postponement, the group's lawyers return to the Tel Aviv District Court next week to answer a suit brought by Bankers Trust of New York.

Overshadowed by the drama surrounding last Tuesday's general election in Israel, the cash-flow crisis at Koor, which has an annual turnover approaching $3bn, has – if anything – worsened in recent days. Emergency assistance of $20m promised by the Government and a consortium of local banks has still to be delivered, holding up payments to suppliers.

The labour federation-owned group's latest recovery plan – its second in sixth months – was approved by its board of directors on Sunday, and copies are now on their way to all foreign creditors, led by Bankers Trust and Manufacturers Hanover. Among UK banks, Barclays is understood to have the largest debt outstanding, in the region of $20m.

The central element in the programme is believed to be the dismissal of about 15 per cent of the group's 27,000-strong workforce. Several loss-making subsidiaries are also threatened with closure or sale.

Economic strains test Senegalese democracy

Nicholas Woodsworth reports on President Abdou Diouf, who starts a three-day visit to Britain today

Diouf: painful reforms

PRESIDENT Abdou Diouf of Senegal, who arrives in Britain today on a three-day state visit, is a rare example of an African leader who presides over a multi-party democracy. He is also presiding over the implementation of a far-reaching economic reform programme which is proving painful.

It is a combination which makes for a demanding period in President Diouf's career, but one which assures him of a warm welcome from Mrs Margaret Thatcher, the British Prime Minister.

As head of the party that has dominated politics and national life in Senegal since independence from France in 1960, President Diouf's name has become synonymous with the rule of the state.

In recent years, however, growing economic pressures and the President's determined policies on structural reform have caused cracks in the monolithic rule of his Parti Socialiste (PS). Growing insecurity over the economic future, particularly among the youth of Senegal, led to a presidential election campaign last spring marked by widespread violence. President Diouf's re-election was finally accepted only after the calling of a state of emergency and the jailing of electoral opponents contesting the results.

Order has since returned, but the sense of long-term stability associated with more than a quarter-century of PS rule has been eroded. While President Diouf's leadership remains firm, and his direction clear, he is no longer seen as the sole viable alternative on the Senegalese political horizon.

Senegal today is distinguished by lively political debate, an elected legislature, and no less than 16 registered political parties.

Mr Diouf, however, made his name not in the rough-and-tumble of party political battles, but as a quietly efficient technocrat and financial administrator. Trained as a lawyer, he rose rapidly through the statist-oriented PS. Under the veteran poet-statesman Leopold Senghor, a leader who had little interest in economics, he served as Minister of Planning before becoming Prime Minister in 1968.

Even before President Senghor handed over power to Mr Diouf in 1981, the latter had imposed an austerity regime on an economy in serious decline. While maintaining a strong economic relationship with France, Mr Diouf as Prime Minister established ties with the European Community, International Monetary Fund and World Bank. Following his succession to the presidency he launched Senegal on a structural adjustment programme, one of the most ambitious on the continent.

With World Bank and IMF support, Mr Diouf has gone some way in turning around an economy precariously based on groundnuts, phosphates, fishing and tourism.

In the vital area of agricultural production and export, he has initiated the phasing out of the deficit-financed state marketing board, the removal of guaranteed producer prices, and the elimination of consumer subsidies.

In the industrial sector, Mr Diouf is pledged to trade liberalisation, including import tariff reductions, a freer investment code, and an increase in export subsidies.

President Diouf is also determined to pare down Senegal's 125 parastatal companies, responsible for a large portion of the nation's budget deficit. Some have already come up for private sale, while others are being rationalised on World Bank demand.

While GDP has risen by 4 per cent annually for the last three years, inflation pushed down to 5 per cent, and government expenditure reined in, the price has been high and the ultimate benefits of adjustment are still far off. President Diouf is faced with a population dissatisfied with lay-offs and high unemployment rates, a reduction in spending power, and a cut in the producer price of groundnuts – the source of income of most Senegalese peasants.

The political instability of last spring is no passing phase. The degree of underlying discontent with the adjustment process was illustrated in August when the President convened talks with opposition leaders. The most influential of these leaders, including Mr Diouf's major political rival, Mr Abdoulaye Wade, had been sentenced to jail terms following the election disturbances, and then pardoned. While the talks were intended to bring about political reconciliation and agreement on national programmes, they ended with opposition delegates storming out of the round table conference.

Mr Diouf faces two major challenges: the persual of adjustment goals – he has recently said there is no question of their abandonment – and the fending off of evermore insistent political attacks. Last spring the President showed himself willing to take extraordinary measures to keep his party firmly in control. Whether he can now meet these two challenges and still honour the country's constitutional guarantees will be the greatest test yet of Senegalese democracy.

UK NEWS

Business leaders split over clamps on foreign bidders

By Hazel Duffy

MR JOHN BANHAM, director general of the Confederation of British Industry, the UK employers' body, failed yesterday to secure a firm lead from his annual conference to press the City of London into making hostile foreign bids for British companies more difficult.

But he will still propose today in his closing speech to the delegates at Torquay that changes should be made to the rules governing the purchase of shares. This would aim at slowing down the procedure under which a bidder gained control of a company.

Talks will be sought with Mr Robin Leigh-Pemberton, Governor of the Bank of England, and City regulatory bodies.

Delegates were divided equally on a resolution which sought to level the accusation of short-termism at the City at the expense of the need of industry to invest for the long term.

This was despite a forceful speech by Sir Hector Laing, chairman of United Biscuits, when he spelled out the threat that he perceived British companies faced from foreign predators.


Sir Hector Laing: threat from foreign predators

Delegates did not respond in the vein hoped for by Sir Hector when he gave a warning that Britain could be reduced to little more than colonial status if the spate of foreign takeovers continued.

City representatives were joined by some delegates from manufacturing and service companies which criticised the resolution and by implication the CBI leadership's attempt to use it as the platform for a campaign for industry to assert its new-found strength to redress the balance with the City.

The CBI leadership also received a setback on interest rates, which it believes are working to cut consumer credit demand. Several delegates complained about the effect that high interest rates were having on their businesses and investment plans.

Mr Banham said he would take their views into account when the CBI formulated its submission to the Chancellor of the Exchequer on the budget next spring.

Sir Hector said after yesterday's debate that he was "disappointed that no-one had thought through the consequences of our losing so many of our great companies." Mr Banham said the debate had demonstrated that "this is a very complicated issue."

Richard Donkin writes: Old-style trade unionism had become irrelevant to today's needs, Mr Geoffrey Armstrong, chairman of the CBI employment policy committee, said in a debate that led the conference to register its opposition to proposals for social legislation in the EC.

The trade unions, he said, needed to drop their class war rhetoric and develop services based on training, legal protection, health and safety and personal financial matters

He said the European Commission appeared hell-bent on creating a framework of statutory obligations on employers to impose rules on information, consultation and participation in board-level decision-making.

CBI told European currency 'inevitable'

By Richard Donkin

LORD PLUMB, Conservative president of the European Parliament, speaking at the CBI conference yesterday, said a common EC currency was inevitable.

He added that movement towards the single market of 1992 was helping to reinforce the EC as a political entity.

In a speech flying in the face of Mrs Thatcher's resistance to any threat to UK sovereignty, Lord Plumb declared that "loss of sovereignty" should not blind industrialists to the real issues. Sovereignty was not an absolute, he said.

All countries, particularly in Europe, had lost a degree of their sovereignty in order to increase their collective power.

Lord Plumb, introducing a debate on moves towards a single European market, said the Single European Act laid down the objective of European union.

"The simple fact is that the trade flows, the movement of investment and capital, the progress towards 1992, are all reinforcing the European Community as a political entity," he said.

Emphasising the increasing importance of the Ecu, now the fourth biggest trading currency, Lord Plumb said the time was ripe for Britain to join the exchange-rate mechanism of the European Monetary System.

As exchange rates became more stable, he said, the role of a common currency would become more obvious.

"Soon a common currency will become concrete and inevitable," he said.

Governments and industry in Britain would get nowhere if they pretended to ignore development at a European level.

The conference endorsed resolutions to encourage a "one-stop" competition authority to control takeovers on completion of the single market, and called on the EC to use additional negotiating leverage to obtain reciprocal benefits from other trading communities.

The conference accepted the argument of Mr Martin Taylor, of Hanson, who said an EC-wide merger authority was an eventual goal.

But he said it was secondary to the establishment of European competition policy.

Minister clashes with power chief over privatisation

By Max Wilkinson, Resources Editor

A VIGOROUS argument between the UK Government and the Central Electricity Generating Board about the terms on which Britain's power stations will move into the private sector emerged in public yesterday

Mr Cecil Parkinson, the Energy Secretary, told a packed conference in London on electricity privatisation that he had thought of limiting the length of contracts for the output from the CEGB's power stations after privatisation.

This was desirable, he said, to promote competition from independent generating companies after privatisation. He told the conference, organised by The Economist, that he wanted to create a vigorous industry.

However, Mr John Baker, the CEGB's managing director, who followed Mr Parkinson to the platform, warned that short-term contracts would undermine the viability of new generating companies and make them difficult to sell.

Mr Baker said that if contracts were significantly shorter than the life of existing plant the viability of the two new national privatised companies would be hard to assess and this would present difficulties at the time of flotation.

In a speech of great optimism, Mr Parkinson claimed that vigorous competition would eventually lower electricity prices, evem though he admitted under questioning that it had been necessary to push prices up initially.

"We have already heard of some 15 major generation projects, which are being prepared by private companies, representing about 8 per cent of this country's total electricity needs," he said.

Spy centre protest attracts '250,000'

By Philip Bassett, Labour Editor

TRADE union leaders claimed last night that more than 250,000 employees had taken part in protest rallies against the UK Government's sacking of union members at its GCHQ spy centre at Cheltenham.

The Government said the number of civil servants taking part in the one-day strike was 90,000 - but it was clear that a number of Government operations, especially social security offices, were badly affected.

The TUC estimated that more than a quarter of a million people took part in some 60 marches and rallies across the country, with large turnouts in Liverpool, Sheffield, Glasgow, Newcastle and London.

At a London rally, Mr Neil Kinnock, the opposition Labour Party leader, mounted a spirited attack on the Government, charging the Prime Minister with double standards towards union members in Poland and in Britain.

Ministers mostly maintained silence, though Mr Norman Fowler, Employment Secretary, said the sympathy strikes were "unjustified", and defended the Government's union decision on GCHQ.

Benefits for elderly unveiled in effort to defuse Lawson row

By Philip Stephens, Political Editor

THE GOVERNMENT yesterday sought to defuse a major political row over state pensions and other benefits for the elderly by announcing that it was planning a new package of measures to help the poorest pensioners.

Mr Nigel Lawson, Chancellor of the Exchequer, unveiled the plans in a House of Commons statement amid intense official embarrassment over weekend press reports that he was intent on scaling back universal benefits for the retired.

The Government was hoping last night that the news would help it to defeat a planned rebellion in the House of Lords today over the imposition of charges for eye tests.

Yesterday, however, the rebels tabled a second amendment to exempt all pensioners from the charges in the event that the Government wins the vote on the principle of their introduction.

Mr Lawson, who received noisy backing from Conservative MPs, dismissed the press reports as a misinterpretation of his remarks at a private briefing for political correspondents.

Responding to an emergency question put by Mr Neil Kinnock, the Labour leader, he reaffirmed the Government's commitment to maintaining the value of the state pension. He added that he had no plans to change the annual £10 Christmas bonus for the retired or remove their exemption from prescription charges.

Mr Kinnock, who asked for a series of assurances from Mr Lawson, said that the Government's plans for pensioners would involve greater use of means tests and a widening of the poverty trap.

Later Mr Gordon Brown, the shadow Chief Secretary to the Treasury, wrote to the Chancellor claiming that he had failed to give the assurances and asking him reply to the "unanswered questions".

Mr Lawson, whose statements followed a day of damage limitation in Whitehall after what seen as a public relations disaster at the weekend, gave no details of the new measures for the poorest pensioners.

Other ministers, however, said they focused on boosting the aid to pensioners available through its Income Support scheme.

Journalists present at the weekend briefing meanwhile insisted that they had not misinterpreted the Chancellor's remarks and joined opposition MPs in suggesting that they had been withdrawn because of the political storm.

The Treasury declined to release a transcript of the briefing.

In his letter to Mr Lawson last night, Mr Brown called for him pledge that health service prescriptions for the elderly would remain free and that there would be no new health charges. He also called for a commitment that attendance and mobility allowances would not be means tested and that their real value would be maintained.

UK NEWS

Lean Shearson bounces back

Clive Wolman, looks at the banking arm of American Express

London securities houses have faced unprecedented challenges over the past few years. The Big Bang reforms in October 1986 saw most Stock Exchange firms acquiring new owners and receiving infusions of capital. They built up their financial and human resources for the newly competitive world – an important feature of which was the rapid internationalisation of securities dealing. A year later came the stock market crash, followed by a drastic fall in stock market volumes and commission revenues. Some houses have emerged relatively unscathed, others have torn up their original plans. In a series of profiles of securities houses beginning today, FT writers examine how the different strategies adopted have met the tests.

SHEARSON Lehman Hutton, the huge investment banking arm of American Express, has the distinction of being the firm which started the City of London's post-Big Bang shake-out and retrenchment.

After 17 months of mounting losses and intensifying rifts with the former partners of the L. Messel stockbroking firm it acquired, Shearson became the first securities firm to announce mass redundancies, of 150 people, five weeks before the October 1987 stock market crash. The announcement in fact led to a shrinkage of staff from 1,500 to 1,100 and the departure of well over half the 450 former employees of Messel, in what was the most ruthless purge of any large stockbroker acquired in the pre-Big Bang rush.

But no apologies should be expected from Shearson, whose management style is often claimed to represent the US paradigm, with its heavy emphasis on performance and profit measures.

And a year after many of its competitors were writing off its London operations as dead or dying, Shearson has staged the strongest bounce-back of any of the securities firms in the post-Big Bang world.

Mr Jacques Gelardin says that Shearson's London and European operation, which he heads, moved into profit in the early weeks of this year as a result of the harsh cost cutting.

The spectre of Shearson's being dragged under water by its acquisitions has been raised many times before, in particular last December when it acquired E.F. Hutton for about $1bn, and in 1984 when it acquired Lehman Brothers, one of the leading Wall Street investment banks which had been riven by internal dissent.

But the unmatched growth of Shearson into one of the largest two US securities firms, vying with Merrill Lynch, over the last 20 years has been founded on its consistent record in turning around more than 50 securities and investment management firms which it acquired when they were in trouble or decline.

Shearson's achievement has been to integrate their administrative systems, to identify their most valuable departments and people, to absorb them into its own operations – and to fire the rest.

Its first acquisitions were of firms which had failed to cope with the Wall Street settlements crisis of 1968-69, but the most rapid growth came through picking up the victims of the ending of minimum commissions in 1975.

In 1981, Shearson in turn was acquired by American Express but its management has continued to enjoy a free hand, even overriding the reluctance of some Amex executives to finance the Lehman acquisition.

Amex's hands-off approach has also indicated a failure to exploit the "financial supermarket" synergies that were expected from the takeover.

Its stake in Shearson, now 60 per cent, is being steadily cut back.

The main advantage of the Amex link-up for Shearson has been access to capital. Many investment analysts consider Shearson's current capital resources of more than $2bn to be excessive but at least they have allowed the firm to invest heavily in computer and administrative systems.

The Hutton takeover, completed last January, was a classic example of Shearson's meticulous preparation and homework.

Within a week, Shearson had identified which 6,000 of the 19,000 sales force they needed to fire. The management had also worked out how long it would take to transfer Hutton's investor account details to the Shearson computers and how long they would need to employ double staff.

According to one analyst: "They had been circling like vultures around Hutton for a long time and they knew exactly when their victim was weakening."

The key to these successes has been the informal cohesion and the intense level of communication between the top management team, who developed together over the last 20 years under the leadership of Mr Sandy Weill, one of the founders of the firm.

Even during a difficult interview in the office of one top executive, another will saunter in fingering his braces with a preoccupied look, interject a few questions and comments and wander out again, with as much casualness as if he had gone into his own kitchen in search of a snack.

According to Mr Perrin Long, an analyst of the securities industry, at the New York firm, Lipper Analytical: "The sales force has always been one of the most highly motivated and that is a result of the quality of the leadership team at the top."

But Mr Long is critical of the company's acquisition of Messel to spearhead its thrust into Europe: "Their global ambitions could come back to haunt them, they did not know what they were buying in the first place."

President and chief operating officer Mr Jeffery Lahe does not dissent: "Messel was a disaster for us. It was a deal that did not work out, because we forgot about the basic economics. We put a tremendous amount of capital into a market which could not grow enough."

It was the company's first major move overseas and into a market which was changing radically as a result of the Big Bang reforms and which Shearson never attempted to analyse or understand in its usual thorough style.

For Shearson, Messel, a blue-blooded traditional middle of the road stockbroker with no clear focus and a partnership lacking modern management experience, was a particularly ill-suited partner.

Its orientation was entirely domestic whereas Shearson's strategy was to develop a European network of offices and to concentrate on cross-border activities.

With the dollar at an all-time peak, the commitment made by Shearson in 1985 to buy Messel for about £20m seemed modest.

But before Shearson was allowed to increase its stake from 10 to 100 per cent in April 1986, Messel's partners embarked on an excessively ambitious programme of recruitment and expansion. Shearson's management lacked the experience and the involvement to challenge them.

The writing was on the wall in the first week after the Big Bang reforms in October 1986 when the overgrown Messel/Shearson equity trading desk remained virtually dormant. The firm's expansion did little to persuade institutional investors of its research and execution capabilities and it was one of the first to be cut from the dealing lists of many institutions.

New York management soon realised that they had allowed their London subsidiary to grow out of control into a dangerous cash trap. The two months of mounting and demoralising speculation in the summer of 1987 which preceded the cutbacks was further evidence that Shearson had lost the finesse and boldness for which it is recognised in the US. Even now, its computer systems lag way behind those in New York and behind those of its US rival Morgan Stanley.

Shearson's equity division has yet to recover fully from the blows. A Greenwich Associates survey in February showed that Shearson was rated among the top 15 securities firms by only 20 per cent of institutional investors, compared with 34 per cent a year previously. The proportion of large institutions doing no business with Shearson increased from 14 to 28 per cent.

Shearson's policy of cutting back the number of stocks it trades and focusing on just a few sectors, such as mining in which it has acknowledged research strengths, runs counter to the conventional wisdom in London and Shearson's own policy in New York that a broad, "waterfront" coverage of sectors is needed to retain credibility. But its success in exploiting its sectoral research strengths has been demonstrated in its corporate finance activities, for example in acting as joint adviser to Britoil in its defence against British Petroleum.

Corporate finance arm has been notching up other successes by building on the Messel client base, developing an expertise in the rapidly growing niche of cross-border and cross-Atlantic transactions and exploiting the financial muscle of its parent. The $1.7bn. bid last spring by Beazer, a former Messel client, for Koppers, the Pittsburgh-based chemical and building materials group, highlighted all Shearson's strengths.

Jacques Gelardin: London operation in profit

The other big success of Shearson has been in the esoteric business of stock borrowing in which it has broken into the cosy cartel of Stock Exchange money brokers. Shearson's large US stock borrowing business and its link with the Japanese insurer, Nippon Life, which has about 1.5 per cent of the world's marketable equity in its vaults and a 13 per cent stake in Shearson, give it a competitive edge in the emerging international stock borrowing business.

Mr Gelardin, a 41-year-old multilingual investment banker who was a former Lehman Brothers partner, is anxious to knock down Shearson's image as an excessively aggressive Wall Street firm which has failed to adopt to the European and British culture. Far more decisions about the European operations are taken in London rather than New York, he says, and the proportion of locally recruited staff in senior management positions is much higher than in other US firms in the City of London, such as Morgan Stanley and Goldman Sachs.

The firm's record, which conflicts with Europeans' traditional expectations of job security, may have harmed its recruiting power, Mr Gelardin concedes, although he says Shearson is currently getting large turn-outs at university presentation sessions. "There is a type of person who is more attracted to our type of business, which is more performance oriented than the old investment banking philosophy in Europe. That is the type of person we want."

Mr Gelardin believes that in any case investment banking in Europe is moving towards the US model. To the extent that he is correct, Shearson is likely to emerge as one of the most powerful competitors against the more traditional City of London merchant banks and securities firms.

Company cuts cost of heart drug for British market

By Peter Marsh

A NEW DRUG for treating victims of heart attacks is to go on sale in Britain at prices substantially lower than in the US, reflecting a slowdown in sales of the product because of its high cost.

Boehringer-Ingelheim, a West German pharmaceuticals company, has received UK Government approval to sell in Britain tissue-plasminogen activator (TPA) for a list price of £900 a dose, compared with $2,200 (£1,300) in the US.

The company said yesterday that it would be willing to sell the product in the UK below this list price, depending on negotiations with the individual health authorities which would buy the medication.

The discount could take the price to £800 or less.

Boehringer-Ingelheim is selling TPA in Europe under licence from Genentech, the US company which developed the product and which has responsibility for sales in the US.

The drug is being marketed under the name Activase in the US and Actilyse in the UK.

TPA, which went on sale a year ago, is likely to achieve world sales of more than $100m in its first year.

The growth in sales has, however, slowed considerably in recent months, reflecting the high price of the product and the feeling among doctors that cheaper drugs might work as effectively.

TPA, which is based on a naturally occuring protein, is administered by injection within a few hours of a person having a heart attack.

It operates by dissolving the blood clots which form in the arteries of such people, restoring supply of blood to the heart.

Genentech and Boehringer-Ingelheim justify the high price of TPA on the grounds of its high research and development costs. They say also it is expensive to make.

Some healthcare analysts believe less costly drugs – in particular a combination of aspirin and another much cheaper clot-dissolver called streptokinase – might help heart attack victims as effectively.

Other people in the healthcare industry say the relative merits of the various forms of treatment will not be known for several years, pending the completion of a series of rigorous comparative trials.

The outlook for TPA is further complicated by the fact that several other pharmaceutical companies besides Genentech would like to develop and sell their own versions of the formulation.

That could possibly cut into the sales of the Genentech product.

Last week Genentech lost a court case in which Wellcome, the UK drugs company, argued successfully that a UK patent Genentech has over TPA should be ruled invalid.

UK NEWS

UK truck sales head for record

By Kevin Done, Motor Industry Correspondent

The boom in UK commercial vehicle sales gathered pace last month as new registrations jumped by 15.14 per cent to 29,748 units, compared with 25,836 in October last year, still supported by the buoyancy of the UK economy.

For the first 10 months of the year commercial vehicle sales are 13.72 per cent higher than a year earlier at 303,799 units compared with 267,135 and are on track to exceed last year's record of 312,730 vehicles for the full year.

According to figures from the Society of Motor Manufacturers and Traders imported commercial vehicles have increased their share of the UK market to 40.19 per cent in the year to date from 38.32 per cent a year ago, but in October alone the importers' share was reduced to 38.34 per cent compared with 40.16 per cent in October 1987.

Sales of trucks (above 3.5 tonnes gross vehicle weight) in 1988 will reach the highest level since the peak year of 1979. Sales in the first ten months at 57,857 units have virtually equalled the level achieved in the whole of 1987 following a jump of 17.8 per cent. Iveco Ford, the joint venture between Iveco of Italy and Ford of the US in which Iveco has management control, has consolidated its overall leadership of the UK truck market with a jump in sales volume in the year to date of 27.47 per cent to 14,079 units, increasing its market share to 24.33 per cent from 22.49 per cent a year ago.

Leyland DAF, the UK subsidiary of DAF of the Netherlands, closed the gap a little in October, but for the year to date its share of the market is virtually unchanged at 22.67 per cent following an increase in sales volume of 18.61 per cent to 13,117 units.

Mercedes-Benz of West Germany, in third place in the truck sector, has also outpaced the surging overall market with a rise of 22.36 per cent in sales volume. It has increased its market share to 15.18 per cent from 14.61 per cent a year ago.

Overall heavy trucks (above 15 tonnes gross vehicle weight) are the fastest growing segment of the commercial vehicles market with a jump of 19.7 per cent to 31,470 units in the first 10 months.

The most spectacular gains have been made by ERF, the independent UK heavy truck maker, which has increased its share of UK heavy truck sales to 10.1 per cent in the first 10 months, from 7.7 per cent a year ago, backed by a leap in sales volume of 56.81 per cent to 3,177 units.

It has leap-frogged both Iveco Ford and Scania of Sweden to take over fourth place in the heavy truck market

UK COMMERCIAL VEHICLE REGISTRATIONS JAN-OCT 1988

	Volume (Units)	Volume Change (%)	Share (%) Jan-Oct 88	Share (%) Jan-Oct 87
Total Market*	303,799	+13.72	100.00	100.00
Imports	122,106	+19.27	40.19	38.32
Small vans (up to 1.8 tonnes)				
Total	98,743	+12.50	100.00	100.00
Imports	28,625	+7.68	28.70	29.98
Ford	30,990	+9.27	31.07	31.99
GM (Bedford)	26,994	+18.25	27.06	25.75
Rover Group	16,570	+10.86	16.61	16.86
Peugeot (incl. Citroen)	8,050	+17.76	8.07	7.71
Renault	5,429	+16.60	5.44	5.25
Medium Vans (1.81–3.5 tonnes)				
Total	128,248	+11.75	100.00	100.00
Imports	59,234	+24.26	46.19	41.54
Ford	53,120	+10.90	41.42	41.74
Daf (Freight Rover)	14,285	+1.05	11.14	12.32
Renault	10,172	+25.18	7.93	7.08
Nissan	9,995	+44.77	7.79	6.02
Peugeot (incl. Citroen & Talbot)	8,230	+33.39	6.42	5.38
Mercedes-Benz	7,217	+19.53	5.63	5.26
GM (Bedford)	6,994	-13.78	5.45	7.07
Trucks (over 3.5 tonnes)				
Total	57,857	+17.80	100.00	100.00
Imports	23,502	+16.83	40.62	40.96
Iveco Ford	14,079	+27.47	24.33	22.49
Daf (Leyland Daf)	13,117	+18.61	22.67	22.52
Mercedes-Benz	8,783	+22.36	15.18	14.61
Volvo	5,841	+12.57	10.10	10.57
Renault (RTI)	3,923	-8.92	6.78	8.77
ERF	3,177	+56.81	5.49	4.13

*Includes buses and light four wheel drive utility vehicles
Source: Society of Motor Manufacturers and Traders.

Thousandfold return forecast for cellular investors

By Terry Dodsworth and Hugo Dixon

FT CONFERENCE
WORLD MOBILE COMMUNICATIONS

INVESTORS in cellular communications could make an immediate thousandfold return on their initial outlays if they were successful in winning licences to run systems, Mr Malcolm Ross, senior consultant at Arthur D. Little, the consultancy group, said yesterday.

"The cost of putting in an application is in the hundreds of thousands of dollars; the value of a licence is in the hundreds of millions of dollars," he said.

Mr Ross was speaking on the first day of a two-day Financial Times conference in London on the outlook for world mobile communications.

He told the conference that good marketing rather than price cutting was the key to success in the market as demand for cellular phones was very insensitive to their price. Moreover, in countries with two operators, the market was almost certain to be split in two equal parts and so cutting prices leads to lower profits not higher market shares. "Why is everyone selling equipment so cheaply in the UK?," he asked.

Mr Kouhei Nishino, senior executive manager at Nippon Telegraph and Telephone (NTT), said that the development of mobile cellular networks in Japan had been characterised by intense traffic concentration in the major cities. With about 60 per cent of all car telephone subscribers situated in the Tokyo area, NTT had been forced to develop a new high capacity analogue system in the city, and was working on the development of digital cellular networks.

Mr Nishino added that NTT was pressing ahead with the introduction of cordless telephone services for office buildings, following the recent liberalisation of this part of the telephone system in Japan.

Car telephone prices had now fallen to a sufficiently low price in the US to become attractive to the mass consumer market, according to Mr Carroll McHenry, president of American Cellular Communications.

In Los Angeles, which Mr McHenry described as the world's best cellular market with 170,000 subscribers, mobile telephone prices had dropped to $199 per unit and large retailing companies were entering the market.

These changes, he said, meant that emphasis in the business was switching from licensing and regulatory issues to the management of the systems.

In one mid-western town where the launch of a $199 telephone set helped to double sales overnight, usage among the newly added subscribers was only two thirds of the rate among existing customers.

Mr Rick Paggeot, vice president of Motorola, the US cellular phone maker, said that the move towards portability was generating extra revenue for cellular operators, as owners of portable phones used them more often than car phone owners.

Mr Robert Atkins, parliamentary undersecretary at the Department of Trade and Industry, said that the UK Government intended to support the introduction of satellite-based pan-European mobile services for airline passengers. After the successful testing of air-to-ground links early this year, the Government was planning to license British Telecom and Mercury to establish services.

According to Mr Stephan Pascall, who is responsible for mobile communications at the European Commission, several countries would begin to run out of capacity on their current analogue mobile telephone networks by 1991. The introduction of the planned new digital mobile services would help solve these problems, he added, by providing about double the traffic capacity available on the present networks.

Mr Pascall stressed that the launch of the digital technology would transform the industry in Europe by offering a single large European market in place of the collection of incompatible networks currently installed. But he gave a warning that European manufacturers of mobile telephone hand sets would be able to benefit from this market opportunity only if they made substantial investments in the new technology.

Mr Ulf Johansson, executive vice president of Ericsson Radio Systems, said that European manufacturers were in a bad position to win a large share of the market for digital cellular handsets. This was because microchips – a technology in which the European continent was weak – accounted for three-quarters of the cost of making the handsets.

Church challenged over South African portfolio

By Richard Evans

UK CHURCH Commissioners, responsible for the substantial investments of the Church of England, are coming under increasing pressure to change their investment policy to take account of ethical issues such as involvement in South Africa.

This follows a fresh legal opinion on the investment duties of the Commissioners obtained by the Christian Ethical Investment Group.

The Commissioners have been at variance on the issue with a section of the Synod, the Church's governing body, which has pressed for investment changes.

The Rt Rev Richard Harries, Bishop of Oxford, welcomed the legal opinion, which states that the Commissioners should bear in mind that support of the clergy was only the means to the higher end of the promotion of the Christian faith, and he said it would have far reaching consequences.

Putting your mouth where your money is

Charles Batchelor explains the importance of speaking foreign languages

Lintool, a small Birmingham-based manufacturer of specialised tooling for the fastener industry, spent four years building a profitable export business to France without any of its staff needing to speak a word of French.

Then, in 1986, Lintool had a dispute with its agent in Paris and was forced to end the agreement at short notice. The British company, (then part of the publicly-listed Linread group but since bought out by its management) which had had no direct contact with its French customers, suddenly faced losing business accounting for one fifth of its £1m turnover.

None of Lintool's 40-strong staff was able to speak their language, so John Silk, the managing director, took urgent action. He signed up with a language school for a two-month intensive course in French and then went out to France to deal directly with his customers.

"I finished the course before making my first phone call," he recalls. "All I had before was schoolboy French that was 20 years old and I had to build up my confidence."

Silk's language lessons paid off. He managed to save 80 per cent of Lintool's French business, went on to rebuild it to its previous levels and has also taken on the UK agency for a French company making complementary products.

Lintool is not alone in facing a sudden crisis because of its lack of language skills. But despite the horror stories which abound and the opening up of the European market in advance of 1992 many British companies remain convinced that they can get by without foreign languages.

The almost legendary unwillingness of the British businessman to learn a foreign language has been confirmed by numerous studies. One survey carried out in 1979 showed that only 30 per cent of 200 export departments contacted claimed any linguistic ability despite the fact that this was the department where most companies concentrated their language skills.

According to Stephen Hagen, in his introduction to Languages in British Business, a critical study* published earlier this year, a growing awareness of the importance of languages has developed during the 1980s. However, employers arestill reluctant to attribute the same weight to linguistic as to technical skills when recruiting people, he adds.

The widespread use of English throughout the world as the language of commerce has long been used by British businesspeople as an excuse for not learning foreign languages. And some companies do achieve success with exports, usually by using English-speaking local agents, without learning a word of their customers' language. Three of the five companies to win the 1988 Export Award for Smaller Businesses (sponsored by the British Overseas Trade Board) did so without the use of foreign languages.

Total Audio Concepts, which designs audio mixing consoles used in the recording industry, exports 90 per cent of its £3m turnover to countries such as China and Japan using only English. Mick Walker, export shipping manager, says the fact that TAC is in the music business, where English is widely spoken, helps, and he is not aware that a lack of language skills has lost his company any business.

However, Jack Garbett, sales and marketing manager of F. Drake & Company, a Huddersfield-based supplier of yarns and textile products and another of the award winners, says his fluency in French and German has been essential to developing export sales.

Unlike some areas of business, where a failure to understand, say, computers can be seen to have a measurable impact on a company, the result of a lack of language skills is more difficult to quantify. "Companies are usually unable to cost their errors and failings in terms of the potential lost trade," says Hagen.

Despite British business's poor record, people in the language teaching area report signs of changing attitudes, partly spurred by the publicity surrounding 1992.

"Before the publicity about 1992 most people would only look at language training if they had got their fingers burned," says Kim Davies, training adviser at IC (Language and Communication Services), a Birmingham-based organisation which provided language training for Lintool's John Silk. "Now, even if people have no particular business strategy they feel they have to prepare for 1992."

Companies which do decide to conduct more of their business in a foreign language must think through the implications, Davies warns. One British company translated all its promotional literature into French but failed to recruit anyone to its switchboard who spoke the language. When potential French customers rang they were met with blank incomprehension. One complained, by telex, that the switchboard had simply hung up when confronted with a French-speaker.

So why should a company train its staff in foreign languages? The most immediate benefit can be the opening up of new markets. Holyhead Fish Processors, a £3m turnover company with a full-time staff of 16, opened up the Portuguese market and expanded business in France when it took on a secretary who spoke four languages apart from her native Dutch.

Holyhead had always had a policy of employing someone who spoke French and if possible German to deal with its continental customers, says Mark Crane, managing director. Knowing he had the services of a Portuguese-speaker, Crane faxed and telexed shellfish importers in Portugal and followed this up with telephone calls which succeeded in drumming up new business.

Speaking the language also makes the exporter far less reliant on his agent or distributor for information on the market and the way business is going.

"If I talk to my French customers in their own language my message is undiluted," says Jack Garbett. "I hear their reactions and I know exactly what they have said."

Conversely, on a recent trip to Finland, where the customer spoke only Finnish and Swedish, Garbett says he felt completely lost. "The agent translated and I had no feeling of contact or communication," he says. "I felt I might as well not have come."

Mastery of foreign languages also allows a company to manage overseas subsidiaries far more closely. When the publicly-quoted Foseco group acquired control of a German company, one of Foseco's UK subsidiaries, The Universal Grinding Wheel Company, found it had problems ensuring that its German associate devoted enough attention to Universal's products.

All discussions had to be conducted through a British expatriate employed by the German company and through the German sales staff. "It was all very top heavy," recalls Mike Butler, regional manager for Universal, which has sales of more than £10m.

Butler set out to learn German, beginning an intensive 100-hour course of two to three hours a week last November. Revealingly, the initial reaction of the German subsidiary to the news of Butler's efforts was hostile but Butler says relations are improving.

"It has had the desired effect of helping me understand them and shows we are trying to help them," he says. "It has cemented our bonds with their salesmen and means I can get on on a social basis with their executives. It also allows us to chip away at this question of control."

Universal Grinding's experience illustrates that language is an issue not just for the small independent business but also for quite sizeable divisions of international companies.

Inevitably though, it is the smaller independent company with limited management resources which can least spare the time for its executives to acquire language skills.

It is often an act of faith for the executive who sets out to learn a foreign language, concedes IC's Kim Davies. "They must be prepared to commit time which could otherwise go to selling or production," she notes. "It is only when they start to acquire the language skill and they can see a reason for it that they give it its proper place."

Unless more British managers are prepared to put foreign languages on their schedule, sales opportunities will continue to be missed and foreign customers may continue to doubt the commitment the British exporter has to their market.

Fluency in a foreign language may take years but John Silk and Mike Butler show managers can become competent enough to influence the course of their company's business in a far shorter time.

**Languages in British Business. 218 pages. £19.75. Available from The Centre for Information on Language Teaching and Research, PO Box 573, London NW1 4SU.*

LANGUAGES can pose unexpected problems for companies engaged in exporting. Pritchitt Foods, a Bromley, Kent-based supplier of dairy products to the Middle East, needed to date-stamp and label its cartons in Arabic.

Pritchitt arranged for its labels to be translated by a local agency, Malla Translations, but the unfamiliarity of Pritchitt's staff with Arabic numbers meant the date stamps were often incorrect.

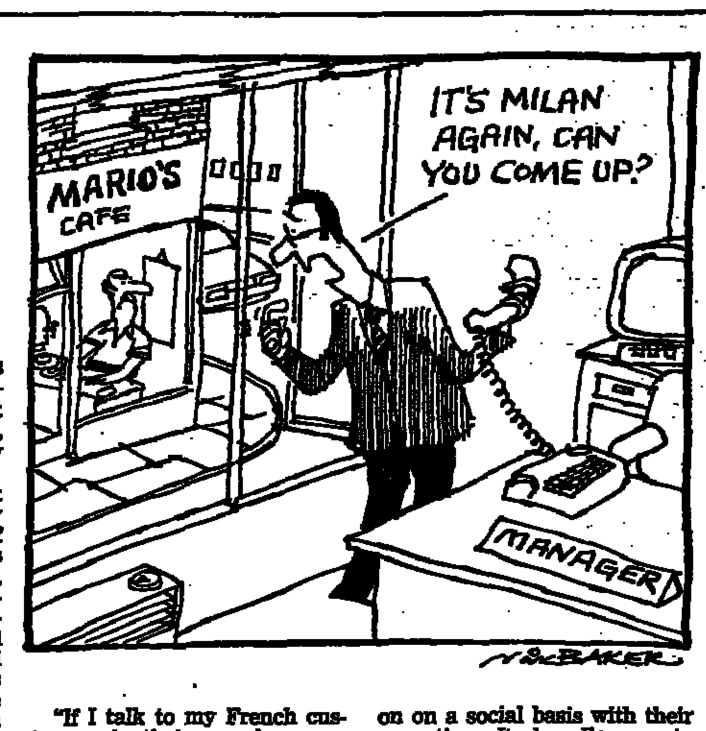
"We found we were changing the date stamps in English but not in Arabic so they got out of sync," recalls John Day, export sales manager. Inaccurate expiry dates meant some of Pritchitt's products were being dumped as soon as they arrived in the Middle East because they had apparently passed the freshness period.

Pritchitt devised a method of simultaneously changing dates in both English and Arabic on its printers and insisted all Arabic translations be accompanied by the English original so staff knew what was going on to labels.

Translating *promotional* material can also create problems for exporters, warns Malla's Nana Schlaepfer. "Simply translating the English brochure is not enough since frequently the British approach is very different. Exporters should get hold of their local competitors' brochures to see how they compare," she advises.

Another exporter says he has his brochures translated by the local agent; checks them himself and then shows them to existing customers to assess their reaction to be sure he has got it right.

Companies which make use of translators frequently underestimate the problems of making good translations, says Schlaepfer. "They think it is like typing, that you just sit at the typewriter and it comes out in a different language. That's not so." The translator may need to check back with the company to discover the exact context of a particular word. Clients sometimes think this is because the translator does not know his job. It should be taken as a sign he is *trying to get it right*, she says.



In brief...

■ An ambitious programme aimed at overcoming the small businessman's traditional reluctance to take training courses is to be launched next year.

The £2m distance learning programme is claimed to be the largest small business training initiative to be launched in the UK. It will allow businesspeople to carry out much of their study at home or in the office using workbooks, and audio and video cassettes.

The Small Business Programme, which is being developed by Cranfield School of Management and the Open University, is intended to appeal to the owners and senior staff of established businesses employing between five and 50 people which are keen to grow further.

The key problem facing many established businesses is how to control continuing growth, or even arrest decline, says Paul Burns, Cranfield's professor of small business development.

The courses will make use of problems the entrepreneur encounters in his own business and have been designed to be used individually or to be built into a broadly-based training package.

They have been divided up into four basic areas of learning – financial accounts, marketing, premises and people. More detailed courses will look at subjects within these main strands such as the role of product development, pricing and customer service as part of marketing. In addition, sector-based courses will concentrate on the specific needs of different industrial sectors which contain a large number of small businesses.

The basic modules will require eight hours of study, half of it at home or in the office using workbooks and cassettes followed by an evening or afternoon group workshop arranged locally.

Three introductory video programmes will be broadcast on BBC TV ahead of the launch next September to generate interest in the scheme; open evenings will be held in the regions to attract small business owner managers. The programme will also be promoted by enterprise agencies, chambers of commerce and existing training organisations.

The preparation of the programme has already prompted interest from Hong Kong, Canada and Australia, Burns says.

■ Rapid changes in the range of government support for business mean that frequent updates are necessary if the business-person is to take advantage of all on offer. Some organisations have developed electronic databases but for many businesspeople a booklet is still the most handy form.

BDO Binder Hamlyn, an accountancy firm, last month published the seventh edition of Government Help for your Business. It contains more than 250 different schemes in the fields of training and employment; general investment and development; advice schemes; research and development; exports; and tourism and leisure.

The booklet costs £5 and is available from Alison Miller, BDO Binder Hamlyn Regional Development, 26 Milton Road, Swindon, Wiltshire, SN1 5JA. Tel 0793 616848.

■ Co-operative businesses are no less efficient than conventional enterprises despite the widely held assumption that their ownership structure and methods of finance work to their disadvantage.

This is the conclusion of a new book, Developing Successful Worker Co-operatives*, which makes what is claimed to be the first large-scale study of co-ops' economic performance in Britain. Despite the challenges of operating in an environment which is either indifferent or openly hostile to their needs, co-operatives can and *do* perform on equal terms, it says.

It also disputes the orthodox view that as co-ops grow in size they inevitably abandon the co-operative principle.

The book surveys co-op support organisations and gives some case histories.

Price £27.50 (hardback) and £9.95 from SAGE Publications, 28 Banner Street, London EC1Y 8QE.

■ Profit In Store, an exhibition which acts as an export showcase for small businesses producing consumer goods, will be held on December 5 at British Petroleum in Moor Lane, London EC2.

Thirty stand places are available for small businesses at £50 each. The exhibition, which is in its fourth year, allows small companies to present their wares to department stores from around the world.

Contact London Enterprise Agency, 4 Snow Hill, London EC1A 2BS. Tel 01-236 3000.

BUSINESSES FOR SALE

TECHNOLOGY

Magnetic prospect for fossil fuel

David Fishlock describes a system for the cleaner and more efficient conversion of coal to power

Contentious issues like "acid rain" and overheating of the planet through a "greenhouse" effect have rekindled interest in the search for cleaner and more efficient ways to burn fossil fuels.

One of the power station concepts that could benefit is magnetohydrodynamics (MHD) – a technology as troublesome as its name – which soared to fame in the 1960s, but fell from grace when the engineers said it was all too difficult.

William Jackson, president of HMJ Corporation in Washington DC, a company specialising in MHD, is among those who believe that the technology is set to come into its own for fossil fuel power stations in the 1990s. Jackson, a physicist who ran a large MHD programme for the US Government in the mid-1970s, explains that Congress has kept MHD alive in spite of attempts by both the Carter and Reagan Administrations to kill it. They said it absorbed too much of the US Department of Energy's budget for fossil fuel research.

Congress has just voted to spend \$37m (£21m) on MHD for the coming year, an increase of \$2m on the previous 12 months. Proponents of MHD say that there are no fundamental technical barriers to using it in power stations, but acknowledge that big technical risks remain.

Jackson says that the \$37m will fund studies by industrial groups in Florida and Montana, based on two different coals, one high and one fairly high in sulphur. The goal is to produce evidence to back a big demonstration of clean coal combustion involving an MHD generator added to an existing station, in a project expected to cost between \$200m and \$400m over 10 years.

So far, the only attempt at a demonstration on this scale is being made by the Soviet Union. In 1982, it started work on a 570 megawatt (MW) natural gas-fired station at Ryazan, 150 km south-east of Moscow. The conventional steam-raising part of the project is operating. But the MHD "topper", designed to increase efficiency by first burning the gas at a very high temperature, remains "just a hole in the ground," according to Jackson.

Soviet engineers are apparently having trouble building the powerful superconducting magnet. The Soviet newspaper, Communist, called the project a "failed child of science under the previous leadership."

MHD is a technology for converting thermal energy directly into electricity, bypassing the customary steam engine. When a hot, electrically-conducting gas is blasted between the poles of a magnet, it induces a flow of electricity at right angles to both the gas flow and the field (the Faraday effect).

MHD can be likened to a magnetic turbine, in which the hot gas thrusts against a magnetic field instead of turbine blades. Early spacecraft confirmed that MHD electricity is generated in space, as searing winds from the sun cut across the earth's magnetic field.

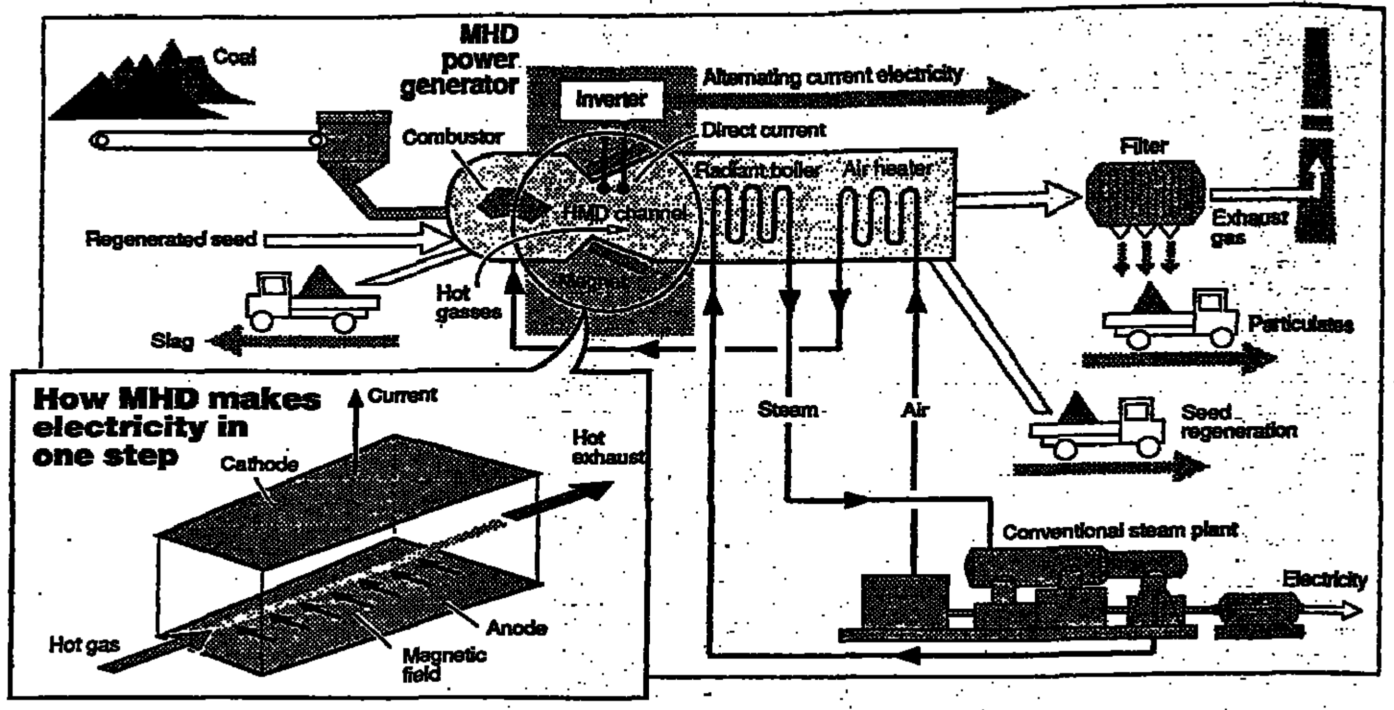
A compact MHD power plant needs a gas temperature of at least 2,600 degrees C – far higher than gas turbines can handle at present – and a magnetic field strength of several Tesla, calling for a superconducting magnet.

The exhaust gas from the MHD generator is still hot enough to raise steam at peak efficiency from conventional plant. In theory, the MHD "topper" could increase overall efficiency (in terms of the conversion of fuel to power) from the figure of less than 40 per cent normally associated with steam turbines to 60 per cent.

This is because the only way out of the Carnot cycle, which limits the efficiency of the steam engine, is to go for a one-step conversion of heat to electricity, such as MHD. Jackson says that other advanced coal combustion techniques only promise to increase efficiency to 45 per cent.

But two decades of engineering experiments have left no doubt that the technology is troublesome. In Britain, as long ago as 1968, the Central Electricity Generating Board abandoned a planned £20m demonstration at its Marchwood power station. Academic researchers then found that MHD projects were no longer winning support.

According to Jackson, Britain – and France – made too hasty a judgment that coal-fired power was doomed to fail in competition with nuclear power. But both the US and Soviet Union persevered with MHD. More recently, other countries have started national MHD programmes, among them Japan, Italy, India and China; and the European Community is proposing one.



Bill Jackson identifies several factors which have helped rekindle interest. One is that, despite the high operating temperature, an MHD generator displays some intrinsic advantages over other ways of raising combustion efficiency.

For example, particulates in the input gas cannot damage the magnetic field in the way that they attack the blades of a coal-fired turbine. Moreover, coal naturally forms an electrically conducting slag on the electrodes needed to pick up MHD power, protecting them from corrosion.

Another discovery is that the chemical, potassium carbonate, with which the hot gas must be "seeded" to make it sufficiently conductive for MHD generation is ideal for removing sulphur, the corrosive ingredient of "acid rain", from the fuel. No other processing is needed, he says. "The chemistry is in perfect balance."

Nitrogen oxide (NOx) emissions are minimised by controlling the rate of temperature decay in the combustion gases. Any residual coal particles can be removed from the MHD exhaust by conventional filters before the gas is passed to the steam boilers.

The net effect, says Jackson, is to bring MHD within the price bracket of other advanced technologies for converting coal to electricity, such as coal-fired turbines and pressurised fluid-bed combustion. Moreover, it should be able to beat current US emission standards by a factor of 10.

The evidence for a price range of between \$2,000 and \$3,000 per kilowatt comes from the two US projects studying conceptual designs for an MHD generator to add to a coal-fired power station. One, run by MHD Development Corporation, involves such companies as Montana Power Company, TRW, Avco, Babcock and Wilcox, General Dynamics and Westinghouse Electric.

The other is run by Westinghouse and involves Southern Company Services

Saving power in the transformer

IF ALL 35m power distribution transformers in the US were replaced with units using a new kind of magnetic core, the country could save 60bn kilowatt-hours of energy annually.

That is the estimate of General Electric Power Delivery, of North Carolina, and the Electric Power Research Institute (EPRI) of California, joint developers of the new transformers.

Transformers are used throughout power distribution networks to reduce voltages from grid levels down to the few hundreds of volts needed for factories and homes. They consist of a high-voltage input winding and a low-voltage output winding. Both are wound round an iron core to concentrate the magnetic field which transfers the energy from one winding to the other.

The problem is that the core itself absorbs energy, producing considerable losses in the form of heat and reducing the efficiency of the unit.

The GE/EPRI answer is an amorphous metal core which loses only about a third of the energy of the normal iron-based, crystalline-structure metal. The material is made by spraying a stream of liquid metal alloy on to a chilled rotating wheel. The metal hardens before it can form a crystalline structure and comes off the wheel in strip form.

Transformers made with the amorphous alloy cost about 25 per cent more than the conventional kind, but this is offset by energy savings over the transformer's life.

A pattern for dress design

COMPUTER-aided design is applied to all stages of clothing and textile design in a system called Ormus Fashion introduced by Concept 2 Research of Stevenage in the UK.

The system is said to produce savings by allowing designers more freedom to experiment before embarking on the expensive process of making garment samples. A small Ormus system for garment design, at less than £9,000, is claimed to be the least expensive for this purpose in the UK. More comprehensive systems cost up to £24,000.

As the designer sketches on an electronic drawing tablet, the result appears on the screen and can be squashed, stretched or otherwise modified. The machine can then be employed to turn the sketch into the pattern pieces that will be used to cut the material from which the final garment will be made. Existing block shapes can be taken from an electronic library and adapted.

When satisfied, the designer can produce paper patterns and try them manually on a dress stand, making necessary changes and feeding them into the computer. Allowances for seams are automatically added.

The computer is also able to cost the garment and assist in lay planning, the process of arranging the pattern pieces on cloth from the roll. It can automatically grade the pieces for different sizes of garment.

The company also offers systems for textile designers allowing drawing and "painting" in colour on the screen.

WORTH WATCHING

Edited by Geoffrey Charlish

Optical success for Alvey

THE UK Government's Alvey programme, which sponsors research aimed at improving Britain's position in information technology, has chalked up a success with work just completed by Plessey, the UK electronics company, and the British Telecom Research Laboratories (BTRL) at Martlesham in Suffolk.

The gate array that Plessey has been developing under an Alvey programme in "one micron" technology has been customised by BTRL to produce a component for optical fibre transmission systems. British Telecom is Plessey's first customer for the array and other users are being sought.

The array, designated CD1014, allows equipment makers to incorporate exclusive circuits into their products, in relatively low volume and at reasonable cost.

Gate arrays are "chips" which contain ordered patterns of semiconductor elements which can be connected in ways to suit a customer's requirements. Element spacings on the new chip are only one micron (millionth of a metre) and the circuits can deal with data rates up to 2.8 Gbits/sec (2.8bn bits per second).

British Telecom needs such fast devices to exploit the high transmission speed of optical fibres on its long haul routes. It plans to raise speeds to 2.4Gbits/sec, allowing four times as many telephone calls to be carried.

Beaming orders to the kitchen

CHECKOUT Computer Systems of Dunstable, in the UK, is offering a hand-held order-taking unit for hotels, restaurants and pubs which should enable staff to give a faster and more flexible service to customers.

Known as Repos, the book-sized unit is a battery-operated, cordless terminal with liquid crystal display. Staff can enter customers' orders at the table and simply point the unit's infra-red beam at the nearest receiver, probably mounted on a wall.

From the wall receiver, the orders are sent directly to the kitchen over a cable, where they are printed out. Apart from keys representing table numbers, the unit has keys which are programmed according to the restaurant's menu. The waiter can move from table to table taking orders, without having to return to a central point or fixed terminal.

The system works with the company's other point-of-sale electronic equipment.

CONTACTS: GE Power Delivery: US, (704) 462 3000. Concept 2 Research: UK, 0438 313936. Plessey: UK, 0327 50551. Checkout Computer Systems: UK, 0582 471112.

An art auction is often front page news. Not at least because of the astronomical bids which are frequently made.

Many a florist will have rubbed his eyes in disbelief when he read that a bunch of sunflowers was worth tens of millions of dollars. Prices are still rising.

And so is the importance of knowing whether a painting is genuine or not.

For an answer, specialists often turn to Royal Talens, one of the largest manufacturers of fine artist's colors and part of Akzo's coatings division.

The Centre Pompidou in Paris is one of them.

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FT LAW REPORTS

Guarantor wife loses the house

BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME v ABOODY
Court of Appeal (Lord Justice Slade, Lord Justice Balcombe and Lord Justice Woolf): October 28, 1988

A GUARANTOR is liable under her guarantee, though she was induced to sign by actual or presumed undue influence, if at the time of signing the assumption of risk was not manifestly disadvantageous to her.

The Court of Appeal so held when dismissing an appeal by Mrs Doris Aboody, from part of a judgment by Sir Joseph Cantley, in a claim by the Bank of Credit and Commerce International Societe Anonyme against her and her husband, Mr Edward Aboody.

LORD JUSTICE SLADE, giving the judgment of the court, said that Mrs Aboody was an Iraqui Jew. She was born in Baghdad and educated in French and Arabic. Her English vocabulary did not include the jargon of the law. Her family moved exclusively within the local Iraqui-Jewish community and observed its customs.

Business was not a matter discussed with women. That was a man's exclusive province. In 1946, at 17, Mrs Aboody was married by arrangement to Mr Aboody who was 20 years older than she was. Her father provided a dowry of £2,000, which passed into Mr Aboody's control.

In 1949 the couple settled in Manchester. They bought a house in her name with a further £2,000 from Mrs Aboody's father. They sold the house in 1964, and built another. It stood in Mrs Aboody's sole name.

In December 1959, Mr Aboody arranged for Mrs Aboody to be co-director and secretary of his company, Eratex Ltd. She had no training or experience in either capacity. Mr Aboody assured her that she would have to do nothing.

Between 1976 and 1980 Mrs Aboody signed three guarantees and three charges on her house to secure Eratex's liabilities to the bank. In May 1983 Eratex collapsed. Its collapse was accelerated by two factors. First, from 1979 to 1983 Mr Aboody and others perpetrated a series of massive frauds on the bank, of which Mrs Aboody was kept in complete ignorance; second, Mr Aboody caused Eratex to pay out over £200,00 to a brother-in-law towards a scheme for selling land in Florida.

By June 8, 1983 Eratex owed the bank £888,051. The bank claimed under joint and several guarantees signed by Mr and Mrs Aboody.

The collapse of the business shattered the respect, trust and affection which Mrs Aboody had developed for her husband. They no longer lived together.

In the action Mr Aboody had no defence and suffered judgment by default. Mrs Aboody, who owned no assets except her house, strongly contested the proceedings. She challenged the validity of the transactions on the ground that they had been obtained by the "actual" undue influence of her husband.

Sir Joseph Cantley found actual undue influence by Mr Aboody was proved. He said Mrs Aboody signed any document he asked her to sign. She did not understand the legal jargon. She had complete faith and trust in her husband's integrity and business ability. His influence over her in relation to any transaction into which she entered was total.

The judge also found that in causing Mrs Aboody to enter into the transactions by undue influence, Mr Aboody was acting as the bank's agent.

However, in the light of the House of Lords decision in *National Westminster Bank v Morgan [1985] AC 686*, the judge held that "manifest disadvantage" to the complaining party must be shown before a transaction would be set aside for undue influence.

He was not satisfied that manifest disadvantage to Mrs Aboody had been proved. At the time of signing, though the company's financial position was vulnerable, it was supporting Mr and Mrs Aboody in considerable comfort. Because of previous charges she would not have been any worse off for giving the guarantees, and there was a reasonable prospect that Eratex would succeed. He gave judgment for the bank in its claim against her.

The amount of that claim was substantially reduced because of a cross-claim by Mrs Aboody.

The bank's security had included a pledge over Eratex goods. It arranged for them to be held in a warehouse. By ingenious frauds on the part of Mr Aboody and two warehousemen, large quantities had been removed. The judge held the bank was in breach of a duty to Mrs Aboody to take reasonable care to preserve the goods, and she was entitled to be relieved from her guarantees to the extent of the loss of the goods, calculated at £875,308.

Mrs Aboody appealed from part of the judgment.

The first ground of appeal was that a party who proved a transaction was induced by actual undue influence was entitled to have it set aside without also proving that it was manifestly disadvantageous to him.

Ever since *Allcard v Skinner (1887) 36 Ch D 145*, a clear distinction had been drawn between cases in which the court would uphold a plea of undue influence only if satisfied that such influence was affirmatively proved on the evidence ("actual" undue influence – Class 1 cases); and cases in which the parties' relationship led the court to presume undue influence unless evidence was adduced proving the contrary ("presumed" undue influence – Class 2 cases).

In Class 2 there were well-established categories of relationship, such as doctor and patient, which gave rise to the presumption of undue influence. The relationship of husband and wife did not give rise to the presumption. Nor did the normal relationship of banker and customer.

The present case was pleaded as a Class 1 case, so the onus fell on Mrs Aboody to establish undue influence.

Mr Wadsworth for Mrs Aboody argued that the House of Lords in *Morgan* directed its mind solely to Class 2 cases where the plea of undue influence was based on presumption, because actual undue influence had been disclaimed by Mrs Morgan's counsel.

In a number of cases subsequent to *Morgan* judges had described it as establishing that in *all* cases where a plea of undue influence was put forward, the party relying on it had to show the transaction was manifestly disadvantageous to him.

In none of those cases did the *dicta* form part of the *ratio decidendi*. Nevertheless they indicated a strong and consistent body of judicial opinion. The court would be slow to place an interpretation on *Morgan* quite contrary to that which appeared to represent the unanimous view of the courts in subsequent cases.

The generally accepted interpretation of *Morgan* was correct. In *Morgan* Lord Scarman indicated the views of the House of Lords as to the origin of the doctrine of undue influence. It was an equitable doctrine developed to cover a gap in the law by enabling the court to give relief where a disadvantageous transaction was unconscionable but unimpeachable by law. Lord Scarman's speech contained more than one reference to Class 1 cases, but contained no suggestion that in such cases the influenced party was spared the need to show disadvantage.

On the contrary, it appeared the House of Lords considered that in all cases of undue influence a disadvantageous transaction was the starting point from which the court proceeded.

The first ground of appeal was rejected. In the light of *Morgan* even a party who affirmatively proved that a transaction was induced by undue influence was not entitled to have it set aside on that ground without proving the transaction was manifestly disadvantageous to him.

The second ground of appeal was that each the six transactions was manifestly disadvantageous to Mrs Aboody.

The question must depend on the balance of two factors: (a) the seriousness of the risk of enforcement to Mrs Aboody in practical terms, and (b) the benefits gained by her in accepting the risk.

After full and careful examination of the background to each transaction, the judge carried out that balancing exercise and concluded that no manifest disadvantage had been shown. There was no ground for disagreeing with his conclusion.

The bank submitted there was no undue influence.

The evidence and judge's findings showed that Mr Aboody deliberately acted so as to conceal matters from his wife in a way which prevented her from giving properly detached consideration to her independent interest. If manifest disadvantage had been shown the court would have found actual undue influence proved.

The appeal was dismissed.

For the bank: Hazel Williamson QC and Anthony Trace (Stephenson Harwood)

For Mrs Aboody: James Wadsworth QC and Nicholas Davidson (Richards Butler)

Rachel Davies
Barrister

A talent to deceive

William Packer reviews "realist" artists Harry Holland and John Wonnacott

Of all the doubtful epithets useful to art study and commentary, "Realism" is perhaps the most comprehensively misleading. We use the word not to illuminate the more profound qualities of the artist's engagement with his material, but merely to discriminate between figurative works of various kinds.

All art is artifice, and not real at all. Even the most painstaking of transcriptions from the visible world must resort to simplification, re-ordering of the imagery and open trickery in technique. Even the camera always lies, for the artist photo-realism can only mean an understanding and response to the nature of the deception.

Two shows current in London galleries raise the issue. Harry Holland, whose latest work fills the Thumb Gallery in Soho (38 Lexington Street W1: until November 25), is the most dogged of figurative painters, sticking to his own style through many years even when it was out of fashion.

Using the photograph as reference if appropriate, but moving steadily towards the regular study of the figure or object in its true and proper space, Holland seemed nevertheless to invest his images with a quality of metaphysical surrealism, a close, febrile atmosphere fraught with theatrical possibility. It was a kind of history painting without the history, its characters cast on a domestic stage to act out their private, unspoken dramas, were they only two naked girls on a ladder, changing a light bulb.

But by degrees such tableaux gave way to the direct working of the figure and the portrait seen simply for itself, though with no lessening of Holland's peculiar intensity in the physical handling of the paint – slow, undemonstrative and insistently methodical. Now, in this latest body of work, at last the human figure has been abandonned in favour of still-life of an almost abstracted simplicity and ambiguity of form, set up in a variety of consciously theatrical tableaux.

While it is clear that Holland has moved into a new and distinctive phase in his development, how clearly it accords with all that has gone before. Here is the same simple space, a stage or arena of sorts seen under the same soft, diffuse light. The actors may be inanimate, but they animate the space no less actively. But, theatrical and unrepentantly artificial as these paintings are, with all their related monoprints and drawings (more monoprints at Garton & Co, 39-42 New Bond Street W1, from November 21), their essential subject is not any little private history but simply the object itself in its stuff and substance and in the space it occupies.

Literary possibilities remain a bonus, but the true subject is now the space itself. It seems at last that Holland has relaxed, for there is in these works an ease and openness that is quite new. The surface is no longer so tight and worried, the arrangement and composition are no longer self-conscious and perhaps a little awkward. And these things are seen and painted so well, with a delicacy and lightness of touch and a sense of freedom that is remarkable – a thread of blue string hangs loosely down close to the picture plane; a fold of ribbon; a twist of metal; a piece of card covered in silver paper, this last a passage of true virtuosity. There is no contradiction in any of this, no break with the past, but only a development through into creative maturity. This is the best work Harry Holland has yet done.

★

John Wonnacott, now at Marlborough Fine Art (6 Albemarle Street W1: until November 18), is another supposedly realist, indeed photo-realist painter, who recently seems to have achieved a significant move forward in his work. The photographic basis of his reference was always clear, most especially in his wide-angle view of the world and the forced perspectives it imposed. But he remained so faithful to his reference for so long that one found oneself wondering, with Gulley Jimson in one of his coarser moments, whether or not it was worth the trouble.

Well, the wide-angle remains and with it the large panoramic scale, but now the statement is free and generous, the handling truly painterly to the degree that Wonnacott is now more than happy to allow himself to be led by the paint itself into summary description and invention. Only in the uniformity of the colour and tone, unexceptionable in themselves, and in some of the physical detail of these extensive beachscapes, does the camera reassert itself by its technical limitations. For the camera can only see so much and feels nothing: the trick is for the artist to discover by his own observation what the camera has missed. In the feel of mud and sand, and in the quality of the shadows and reflections cast upon their surface, there is still perhaps to trusting an acceptance of what the camera has given. It is not that such reference itself is misplaced, but only that it needs augmentation by direct observation, a few quick notes in the sketch-book, and more personal an intuition – which would seem to be the direction that John Wonnacott at last is taking.

"Poseidon" by Harry Holland, 1988

La Chunga

OLD RED LION

This compelling and sensual production, directed by Keith Hack, designed by Voytek and lit by Gerry Jenkinson – in other words, a first rank team – is another demonstration, if that is what is needed, of the importance in the scheme of things of such pokey, vaguely insalubrious and scandalously under-funded venues as the Old Red Lion, situated hard by the Angel tube station in Islington.

Half a mile up the road, the Kings Head, an indomitable source of pleasure and West End transfers, is threatened by the strict application of safety regulations. And a few yards from there, the Almeida, the most consistently important showcase for new music and new theatre in London, is in the throes of its fascinating Théâtre de Complicité retrospective.

Both of those venues have some public funding. The Old Red Lion has none. A visiting company, The Group, with American private backing, has crammed into the upstairs eyrie the British première of Mario Vargas Llosa's *La Chunga*.

Llosa, the great Peruvian novelist who once turned down the Prime Ministership of his country, has extracted this bar-room and bedroom fantasia from his early novel *La Casa Verde*.

The green house itself, a pleasure palace and object of puritanical disapproval constructed in the North Peruvian city of Piura on the edge of the desert, does not figure in the play. Instead, a tributary location, La Chunga's bar and restaurant, and a few of its inhabitants, are re-worked to project a concentrated picture of low life in a demoralised gambling and pimping community of 1945.

The mystery of a young girl's disappearance punctuates this O'Neillian scenario. The method is one of cross-fades and flashbacks that characterises Llosa's novels and indeed the other play of his we have seen, *Kathie and the Hippopotamus*, the sexual comedy of a Lima literato. The swaggering Josefino (James Vaughan) sells his girl, Meche, for one night, to the downtrodden proprietress (Kristin Milward), in order to maintain his place in the dice game.

The tiny stage is divided with sumptuous ingenuity between the sawdust, barrels and beer bottles of the bar, and the religious, roseate boudoir of La Chunga.

With Irina Brook's meltingly beautiful Meche, a sexual waif in and out of a red dress, occupying a crucial focusing role for the others, the play suddenly rockets into orbit as a feminist, poetically profound meditation on repressed sexuality, guilt and experiment.

The several bar habitués are drawn in and revealed as a child molester, a homosexual and a bullying rapist, all masquerading behind macho exteriors. Jack Elliott's timid Lituma only illustrates the other side of the same destructive physical gulf in a no-hope Catholic environment.

Meche is encouraged by La Chunga ("the joke") to escape to Lima before she is sucked into the whorehouse, the fate of all Josefino's girlfriends. Where she goes we never know. But La Chunga stays put, casually beaten up and abused at knife point, rocking herself to oblivion in the corner while the beer flows and the dice click.

This powerful, magnificently presented slice of Llosa life, plays in Islington until November 27.

Michael Coveney

Alastair Muir

Irina Brook

Solti's Bartók

FESTIVAL HALL

The London Philharmonic's Bartók conspectus with Georg Solti continued on Sunday in higher gear, while next door the Takács Quartet began *their* Bartók cycle. Devotees will be glad to learn that at the end of February the Hungarian State Opera and Ballet are bringing his stage triple-bill to Covent Garden, too. And in fact it was a dramatic piece that crowned Solti's concert the *Cantata profana* of 1930, Bartók's most neglected major work.

Everything that makes the cantata dramatic is commercially discouraging (warm thanks to the sponsors here, Jackie Rosenfeld and Walter J. Johnson). It is not long, but it requires a large, expert orchestra. The music for double chorus is exciting but tough, and one of the two solo voices must be a penetrating high tenor who will risk a difficult, exposed climb to top C. The composer's own text is a mysterious fable – nine sons, raised to mountain hunting, are themselves magically transformed into stags, and against their father's pleas they refuse ever to return to a human home – and like anything in Hungarian, it resists singable translation: too few syllables, too many accents in awkward places.

Nothing daunted Solti's forces, and one would be very lucky to hear the equal of this performance before another decade. The London Philharmonic Choir outdid themselves in clean, fervent attack, and in workable Hungarian – if not so well polished as the soloists: Justin Lavender was a brave and effective tenor Stag; Neil Howlett sang movingly as the bereft Father. Solti's masterly account of the score recognised the special strength it shares with Bartók's earlier *Duke Bluebeard's Castle*, which is that all its vivid musical illustration serves the psychological subtext as much as the literal fable.

Before the cantata we heard the Divertimento for strings delivered with energetic sympathy (for once the solo quartet were properly named in the programme-book), and before that again two works with soloists. Lydia Mordkovitch's violin was characteristically soft-grained and appealing in the first of the early Two Portraits. Ideally the Second Piano Concerto wants sharper ensemble than it got (below Solti's norm), and steelier fingers than András Schiff's; but Schiff would not be the musician he is with steelier fingers, and anyway the performance was too lively and idiomatic not to enjoy.

David Murray

Takács' Bartók

ELIZABETH HALL

In parallel with the series of Bartók programmes that Georg Solti is conducting at present with the London Philharmonic the Takács Quartet is giving three recitals in the Elizabeth Hall that will include all six of Bartók's string quartets. The first, Sunday afternoon, brought the First and Fourth.

In these works the Takács' performances virtually recommend themselves. Ever since the quartet first appeared in western Europe, its surpassing quality has been praised on this page, and these quartets by its fellow countryman have always been at the core of its achievement. Here the Takács account of the First Quartet was if anything the more remarkable, as much for the sovereign control of line and effortless sculpting of each movement's shape as for the immaculate rendering of every texture and the infallible focus on detail. The work's delicate fusion of influences from late Beethoven and Debussy rarely seems both convincing or enticing, and at the same time utterly individual.

Some groups might make the Fourth seem wilder, and drive it with more atavistic violence than the Takács. But it does not often cohere so readily or transfer its thematic unity so comprehensively into every particle of its organisation. Every flickering detail, each harmonic or wisp of *ponticello* playing was placed to perfection, and the extreme technical demands were almost nonchalantly met.

These superlative performances were separated by an appearance by the Janósi Ensemble, a group dedicated to Hungary's folk-music heritage. How "authentic" its versions of the melodies and songs that Bartók so painstakingly collected 70 or more years ago now are, and how far its arrangements have been standardised for concert performance, I cannot judge. But these exuberant artists – instrumentalists, a singer and a dancer – certainly preserved enough raw energy to suggest that Bartók's use of this material carried with it an imperative to be modern, and that the worlds of the ethnomusicologist and the expressionist composer would inevitably collide.

Andrew Clements

Armistice Festival

FESTIVAL AND ELIZABETH HALLS

Described as "the first international artistic commemoration of the fallen of the First World War," the Festival began on Saturday with a superbly chosen programme: composers George Butterworth (killed on the Western Front), Albéric Magnard (died while defending his country house against invading Germans) and Granados (drowned when a torpedo struck his Channel boat). During the next week or so there are to be readings from the literary fallen, several displays and more concerts, including Britten's *War Requiem*. All the remaining concerts are certain to be better than this opening one was.

The trouble lay with Magnard's fine, powerful Fourth Symphony, receiving its British première after 74 years. Justice to the composer requires unpleasing candour: as conductor, Sir Yehudi Menuhin plainly had no idea what to do with the piece. The loud, ill-balanced, inflexible but annihilatingly shapeless performance we heard might have convinced anybody that the symphony is just museum-bait, rebarbative and incoherent. Fortunately, there is a recent EMI recording by the excellent Michel Plasson to prove otherwise.

Earlier, Menuhin had led the Philharmonia in a careful, tender account of Butterworth's *A Shropshire Lad*. Gennadi Rozhdestvensky took the podium after the interval for what was apparently – and astonishingly – the first British performance of the opera Granados made from his piano suite *Goyescas*. One would like to report that it disproved its textbook reputation as being too wispy for the stage, but despite Jill Gomez's idiomatic and beautiful singing as the romantic heroine one wasn't quite persuaded.

The opera plays continuously, though not very urgently, for close to an hour. Exiguous plot, room for plenty of dancing and local colour: a clever and attractive production might make it go down very well. (What about a double bill with Albéniz's *Pepita Jimenez*?) The disappointing feature of the piece is its sacrifice of the brightness and transparency of the original solo suite. Gravely over-orchestrated it is not singer-friendly, especially on the concert platform. Upstanding contributions by the other solo voices, Thomas Randle, Brigitte Desnoues and Enrique Baquerizo, were regularly submerged.

The Philharmonia Chorus, too numerous for the occasion, still sounded muffled. One suspected that Rozhdestvensky's amiable stroll through the music might have been tightened to advantage: the sparkling variety of pace which the piano suite boasts made little impression here. Luckily, the original *Goyescas* and Magnard's Violin Sonata are to be heard in Wednesday's concert in the Queen Elizabeth Hall.

David Murray

The ambitious Armistice Festival continued on Sunday evening with a programme given at the Queen Elizabeth Hall by the Songmakers' Almanac. All the spoken words – for it is the Songmakers' trademark to intersperse songs with readings – were, as the programme poignantly informed us, by writers "American, Czech, English, French, German, Irish, Italian, Scottish" who did not survive the First World War; and many of the sung words were too, such as those by Jean de La Ville de Mirmont (set by Fauré) and Guillaume Apollinaire (set by Poulenc). It was a cleverly arranged and very varied programme reflecting the combined planning skills of Songmakers' pianist and guiding spirit, Graham Johnson, and Tim Cross, organiser of the Armistice Festival and the compiler of a new anthology, *The Lost Voices of World War I*.

The most striking musical item of the evening was the very first: "In Heimat," beautifully sung by tenor Adrian Thomson, composed in 1914 by Rudi Stephan who was a white hope of German music until he died in action in 1915 at the age of 28. It is a setting of words by Richard Dehmel – inspirer of Schoenberg's *Verklärte Nacht*; and while distilling the early Schoenbergian harmonic essence, it managed to preserve a delicate individuality. Two of Stephan's orchestral works will be played by the Deutsche Kammerphilharmonie under Heinz Holliger at St Martin in the Fields on November 11.

Of three songs by Hungarian composer Aladár Radó (who died in action in 1914) to words by, surprisingly enough, Robert Louis Stevenson, The "Duel" – given by mezzo-soprano Anne Howells and baritone Richard Jackson, with a characteristically fine accompaniment from Mr Johnson – made a strong impression: it *was* proto-Brittenish, just as the programme-note indicated. Three of George Butterworth's folksong-saturated, lightly but tellingly accompanied settings were done, including the plaintive, other-worldly *Loveliest of Trees* to words by A.E. Houseman.

James Wilby, star of the film *Maurice*, read with a taking enthusiasm. We had a whole little story – "A Conversation with the Devil" – by La Ville de Mirmont between two of Fauré's *L'Horizon chimérique* songs based on the former's poems. The excerpts from Alan Seeger, August Stramm and Charles Hamilton Sorley were of sharp note, and the readings from letters by Rupert Brooke were all the more vivid for the physical resemblance which Mr Wilby bears to the poet.

Paul Driver

Arrau at 85

BARBICAN HALL

From one celebrated octogenarian to another: it was Artur Rubinstein who once remarked that critics did not like his playing of Beethoven because they thought it lacked the depth found by the greatest Beethoven pianists of the age. And if he did not mention Claudio Arrau by name, then he might just as well have done.

For Arrau, now 85 himself, has long enjoyed a pre-eminence in this composer's music and it was no surprise to find him choosing the Emperor Concerto for his birthday celebration concert at the Barbican on Thursday. To suggest that the tally of years has not begun to show would be less than truthful, but the important point is that they do not matter: in both intuitive musicianship and accumulated wisdom, Arrau remains a Beethoven interpreter of a rare breed.

In this performance, with the London Symphony Orchestra under Colin Davis, there were more insights than one might fairly expect. On the page the solo part of the Emperor, with its lengthy passages of arpeggio figurations, can look uninteresting and, indeed, often sounds so. But Arrau knows well how to draw a latent expressive power from the score and in his serious, deeply considered playing the notes are weighed to within an ounce of their fullest possible significance.

Nowhere was this heard to greater effect than in the Adagio. A beautiful singing tone ran through the whole movement; and at the lead-in to the reprise of the main theme Arrau, by broadening the tempo a little and drawing from the keys their full weight of sonority, raised the sights of the concerto on to a visionary plane: a truly Beethovenian greatness of utterance, as Rubinstein would surely have acknowledged if he were still alive today.

It remains to note that each of the outer movements suffered passages of instability, though the pianist was always quick to bring matters firmly back under his control. At these moments Colin Davis, himself a weighty and impassioned Beethovenian, proved a most diligent accompanist. A shame only that his attentive direction could not also have prevented an entire section of the LSO getting lost in the finale, an unexpected lapse in what had until then seemed an evening of intense concentration.

Richard Fairman

SALEROOM

Big price for miniature

An extraordinary record price for a miniature of £352,000 was paid at Christie's yesterday for a 54mm high portrait of George Washington, wearing his general's uniform, painted by John Ramage. It was bought by the Alexander Gallery of New York. The previous auction best for a miniature was £82,500, paid at Sotheby's in 1980 for a Nicholas Hilliard portrait of a young girl.

Christie's had put a cautious £25,000 top estimate on the miniature but two American bidders kept the price rising to the stratosphere. It is a well documented object, with Washington noting in his diary that he sat for it in 1789 as a present for his wife. It is also in excellent condition.

Not surprisingly there was a record total for an auction of miniatures of £559,834, with 6 per cent unsold. A pair of portraits, 209mm high, of George 5th Duke of Gordon and his wife, by the 19th century artist William Essex, beat their top estimate at £16,500 while a miniature by Pierre Bouvier of the Empress Josephine realised £14,300, as did a portrait of pretty Miss Sophia Plowden by John Smart.

Two Kakiemon jars and covers, sent via a photograph to Sotheby's in London from Paris, made exceptional prices of £165,000 and £93,500 to a Japanese dealer yesterday in an auction of Japanese works of art. They were recognised to date from around 1675.

Bonhams in Chelsea was disposing of over 200 paintings by the Spanish artist Miguel Canals, famous for his copies of the Old Masters and top Impressionists. They all sold. The best price, ironically, was £3,300 paid for a pretty still life which was an original by Canals: its top estimate was £500. "The Ballerina," after Degas, sold for £3,020 (top estimate £300) and "Fiances" in the style of Chagall also far exceeded estimate at £2,090.

There seems to be tremendous interest in prints at the moment, at least in New York. A Japanese dealer at Sotheby's paid a record £153,118 over the weekend for a print by Jasper Johns.

Antony Thorncroft

ARTS GUIDE

November 4-10

OPERA AND BALLET

London

Royal Opera, Covent Garden, the company has taken over from Scottish Opera Nuria Espert's wonderfully fresh production, in Ezio Frigerio's marvellous sets, of Madama Butterfly. Catherine Malfitano, Arthur Davies, and Jonathan Summers take the leading roles, and Michael Schoenwandt conducts.

Vienna

State Opera. In repertory: Tosca conducted by Garcia Navarro with Gwyneth Jones. Die Puppenfee and Tanz-Schules conducted by Artur Koenig with Mara Zampieri. Macbeth conducted by Latham Koenig, with Mara Zampieri. Die verkaufte Braut conducted by Niksa Bareza, with Joanna Borowska, Thomas Moser, Wilfried Gahmlich. La Traviata conducted by Elio Boncompagni, with Sona Ghazarian. Die Zauberflöte conducted by Nikolaus Harnoncourt, with Luciana Serra, Patricia Schuman, Ewa Lind, Uwe Heilman and Manfred Hemm.

Paris

Opéra. Gabriele d'Annunzio's Martyrdom of Saint Sebastian, a mystical creation taking place in five mansions to Debussy's music, beautifully lit and staged, reaching its climax in the fifth mansion, a garden of light. (474 25371).

Berlin

Deutsche Oper. Der fliegende Holländer features Sabine Hass/Janis Martin, Bengt Rundgren, Gerd Brenneis, Rudiger Wohlers/Uwe Peper and Kaja Borris. Der Troubador conducted by Stefan Soltesz has fine interpretations by Sharon Sweet, Ruth Hesse and Viktor von Halem. Fidelio in Jean-Pierre Ponnelle's production returns with a new cast led by Sabine Hass, Barbara Vogel/Carol Malone, Gerd Feldhoff, Spas Wenkoff/Gerd Brenneis and Victor von Halem. Zar und Zimmerman is a well done repertoire performance. Notre-Dame de Paries, choreographed by Roland Petit with costumes by Yves Saint-Laurent, will have its premiere this week.

Hamburg

Staatsoper. Cav and Pag is the highlight of the week with Galina Savova, Hildegard Hartwig, Vasile Moldoveanu, Natalia Troitskaya, Wladimir Atlantow and Piero Cappuccilli. Dornröschen is choreographed by John Neumeier.

Cologne

Opera. Rigoletto has Wasili Janolako outstanding in the title role, Janice Hall (Gilda) and Juan Lloveras (Herzog). Also in repertory: Ein Sommernachtstraum with Paul Esswood (Oberon), and a lively revival of Die Frau ohne Schatten.

Bonn

Opera. Der Nussknacker is choreographed by the new ballet director Youri Vamos. Norma is revived with a star cast led by Rosalind Plowright, Florence Quivar and Lando Bartolini, and Graham Vick's successful production of Don Pasquale with Rolando Panerai, Barbara Bonney and Bruno Practico.

Stuttgart

Opera. Salome convinces thanks to Karan Armstrong, brilliant in the title role. Also offered are Dornröschen, choreographed by Marcia Hydee and Die Entführung aus dem Serail with Yasuko Kozaki, Rudiger Wohlers, Heinz Gohrig and Carsten H. Stabell.

Frankfurt

Opera. There was much applause for Rigoletto, when it opened with John Rawnsley in the title role, Anne Dawson as Gilda and Franco Shamir. Dido und Aeneas is sung by Glenys Linos and Valentin Jar. Il Barbiere di Siviglia has a new cast led by Marianne Rorholm, Michal Shamir, Raoul Gimenez and Bodo Schwanbeck. William Forsythe's Ballet Impressing the Czar closes the week.

Amsterdam

Netherlands Opera co-production with the English National Opera of Mozart's Magic Flute (in German) directed by Nicholas Hytner. The Netherlands Philharmonic is conducted by Donald Runnicles, with Hans Peter Bolchwitz, Dawn Upshaw, Petteri Salomaa, Amanda Halgrimson and Erich Knodt (Tue, Thur) (255 455)

Turin

Teatro Regio, Sylvano Bussotti's production of Ponchielli's La Gioconda opens the winter season, with Bruna Baglioni, alternating with Maria Luisanave, Silvano Carroli, Giovanna Casolla, Agostino Ferrin, Salvatore Fisichella and Carmen Gonzales, conducted by Nello Santi. (Thurs, Sun, Tues.) (548.000)

Rome

Teatro Dell'Opera, season opens with Filippo Sanjust's production of Donizetti's Poliuto which has not been performed in Italy since Maria Callas sang in a different, but highly successful version at La Scala in 1960. This revised version by William Ashbrook and Federico Agostinelli is conducted by Jan Latham-Koenig, with an excellent cast led by Renato Bruson, Elizabeth Connell and Nicola Martinucci (Tues) (46.17.55)

New York

Metropolitan Opera, the season's premiere of the double bill of Franco Zeffirelli's productions of Cavalleria Rusticana and Pagliacci features Bruno Pola as Alfio, Ghena Dimitrova as Santuzzi and Ermanno Mauro singing Turiddu in Cavalleria Rusticana and Ilona Tokody as Nedda and Ermanno Masuroas as Canio in Pagliacci. The week also includes Il Barbiere di Siviglia with Kathleen Battle as Rosina with Ralf Weikert conducting, and Lucia di Lammermoor conducted by Edoardo Muller. Opera House, Lincoln Center (362 6000).

Washington

Washington Opera, Placido Domingo opens the seventh company season with Tosca in Gian Carlo Menotti's production conducted by Rafael Fruhbeck de Burgos with Andriana Morelli as Floria and Justino Diaz as Baron Scarpia. Opera House, Kennedy Center (254 3770).

Chicago

Lyric Opera, Ingvar Wixell has the title role in Jean Pierre Ponnelle's production of Falstaff, which features Marilyn Horne as Dame Quickly, Jerry Hadley as Fenton and Wolfgang Brendel as Ford, with James Conlon conducting. Samuel Ramey takes the title role as Don Giovanni in Jean Pierre Ponnelle's production conducted by Semyon Bychkov, with Carol Vaness as Donna Anna and Karita Mattila as Donna Elvira. Civic Opera House (3322244).

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The future of broadcasting

THE THATCHER Government's plans for broadcasting legislation are set out neither in a White Paper nor Green one, but in a paper with a white and grey cover, with a little black and red as well. This mixture corresponds to the first impression the document makes.

The general principle that the viewer and listener should have greater choice through a multiplicity of channels, programme types, and methods of payment deserves a welcome. The case for a free consumer-driven market is greater in broadcasting than in baked beans or packaged holidays precisely because it involves freedom of expression and artistic creation.

The allocation of commercial broadcasting channels by competitive tender is entirely justified, both on efficiency grounds and even more for bringing an element of due process in what has been a purely arbitrary choice by the Independent Broadcasting Authority.

The government paper wisely accepts the need for common standards for subscription, satellite and cable viewing, so that the viewer is not bemused by incompatible equipment. Another good aspect is the listing of three options whereby Channel 4 can retain its remit to complement other channels, while freeing it from dependence on the main commercial networks.

The broadcasting debate has been befuddled by the belief that the object is to produce good broadcasting as defined by broadcasters. One might as well say that the object of publishing was to produce books that appealed to booksellers or authors. Any service that can be sold at a profit under competitive conditions is *prima facie* a public service.

Shortage fades

The original argument for a public broadcasting policy was spectrum shortage. This is now fading with the technical possibility of so many more channels. Another argument is that the viewer and listener do not pay directly in an advertising-financed market, as they do when they go into Marks and Spencers or buy theatre tickets. *The result is a bias in* favour of mass market programmes compared with the mix that viewers would choose if they could purchase directly.

The advent of pay-TV now weakens this objection. But the Government has lost its major opportunity for encouraging direct payment in the commercial sector by leaving it to those who win the franchises for the new Channel 5 to decide on their own form of finance.

Mixture needed

A third argument for intervention is what economists call the "public goods problem". That is, extra viewers and listeners can be supplied at no additional cost. These arguments justify a mixture of advertising, pay-tv and some taxpayer finance provision as well.

It is doubtful if the Government has got the mixture right. It is pushing the BBC further and faster towards subscription than even the Peacock Committee advocated. Yet when Peacock reported the possibility of further terrestrial channels had still not been admitted and the BBC seemed the most promising route to introduce pay television for those without satellite dishes.

Another example of one-sidedness is the decision to postpone until 1996, when the BBC Charter comes up for renewal, the Peacock idea of an Arts Council of the Air – a non-censorious form of supplementing the market with arts and minority programmes.

In general, there are too many elements of censorship to arouse enthusiasm. Not only has the Peacock recommendation of safeguards for free speech been rejected. We have also the extremely unfortunate Broadcasting Standards Council to tell adults what they can safely watch. And when faced with a transmission of satellite programmes it does not like, the Government talks about a new offence of "advertising on, or providing goods and services to sustain, a satellite service which the Government had previously identified in a statutory instrument – after notification by the monitoring body – as having consistently failed to observe the necessary minimum programme standards." This is hardly a clarion call to believers in free choice, *who may applaud some of the* letter of the new document but have very mixed feelings about its spirit.

Stalemate in the Gulf peace talks

THE UNITED NATIONS talks on ending the Iran-Iraq war, which resumed in Geneva last week, are slowly coming to resemble the conflict itself.

More than three months after the shooting stopped and two months after the negotiations began, the two countries' Foreign Ministers are bogged down in a futile argument about how to turn their armed truce into a more lasting settlement.

What is worse, the foreign powers which collaborated so successfully to bring about the ceasefire appear to be losing interest in consolidating the peace. It is true that the Iranians are too exhausted and the Iraqis too relieved to go back to war in the near future. But in letting things drift, the international community may be storing up significant trouble for itself and the region.

The ceasefire itself remains unstable. At some points along the front, the two armies are only 10 metres apart, and there have been numerous incidents between them since a formal truce took effect on August 20. Iraq continues to occupy some 10,000 square kilometres of Iranian territory, a presence which will constitute a permanent irritant for Tehran and which might one day provide it with another *casus belli*. As Mr Javier Perez de Cuellar, the UN Secretary General, points out, there is thus a pressing need for a withdrawal of forces to the international frontier in accordance with Security Council resolution 598, which is the basis for the present negotiations.

Resisting measures

The trouble is that Iraq is holding any such disengagement hostage to the wider negotiations on ending the war, and in particular to the centuries-old border dispute over the Shatt al-Arab waterway. Iraq is resisting further measures to shore up the ceasefire until Iran agrees to early moves to clear the Shatt of its accumulated silt and war debris. Iran says it will agree to a dredging operation provided it takes place within the framework of the 1975 Algiers accord, which gave Iran and Iraq shared sovereignty over the waterway but which Iraq maintains is null and void.

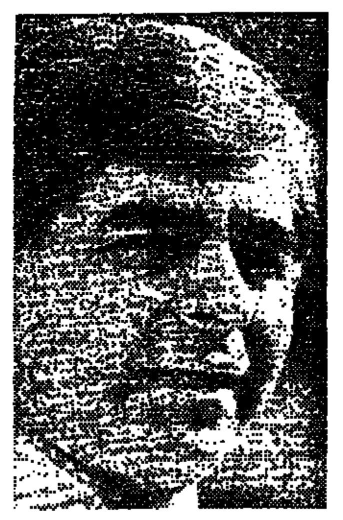
The Shatt constitutes Iraq's only outlet to the Gulf. Baghdad is bound to feel aggrieved that its port of Basra remains closed while Iran has been able to take advantage of the ceasefire to boost trade from its ports further down the Gulf. But the waterway's real significance is as a symbol of the continuing suspicion between the two belligerents and of their struggle to save face

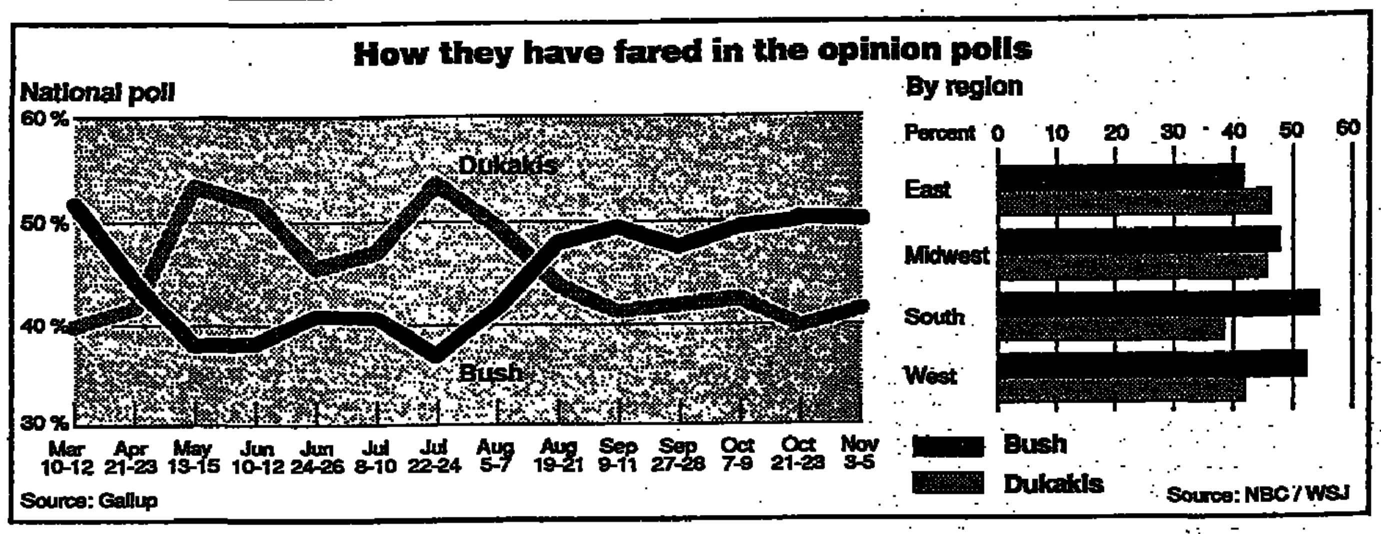
Treaty reinstatement

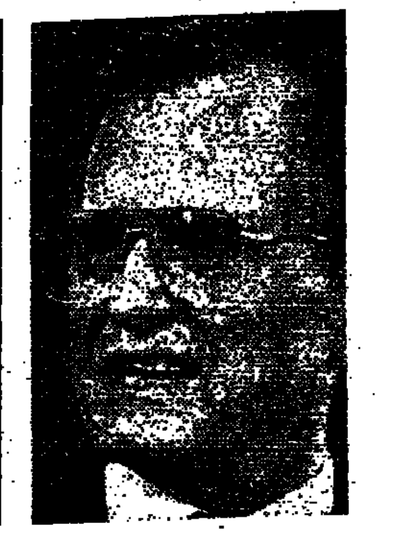
Iran knows it has the broad backing of the international community in insisting that the 1975 treaty remains the only viable delineation of their common border. President Saddam Hussein of Iraq, for his part, likes to pretend that he almost won the war. Having torn up the Algiers accord when he invaded Iran in 1980, he is in no mood to accept the treaty's reinstatement now.

By seeking to exploit its short-term advantage in this way, Iraq may be creating Versailles-style resentments which could erupt again in the longer term into war. The whole point about this year's events is that they created neither victor nor vanquished. Iraq was able to beat off the Iranian threat partly because of the considerable help it received from an *ad hoc* alliance of foreign powers including the US, France and the Soviet Union. It badly needs to get on with reconstruction, which cannot begin in earnest until the fear of renewed conflict evaporates.

Resolution 598 commits the Security Council to continuing involvement in securing its implementation. But so far, there has been no sign of a concerted effort to break the logjam in the negotiations by putting these arguments forcefully to Iraq. Without such an attempt, and an increased sense of urgency in Mr Perez de Cuellar's mediation, the old hostility between the two powerful Gulf neighbours can only continue to fester.







Stewart Fleming reports on sentiment as Americans prepare to vote

The climax of a dull, dirty fight

For the first time since John F. Kennedy won a razor-thin victory over Richard Nixon in 1960, the man whom Americans will choose today to be their next President will succeed to an office whose prestige and influence has been enhanced, not diminished, by the leader elected before him.

It may well be the case, as many Democrats maintain and Republicans fear, that Mr Reagan's rich legacy will turn out to be a poisoned chalice. But unlike Presidents Johnson, Nixon and Carter before him, he is destined to leave office cocooned in a warm glow of public esteem and affection.

"Four more years" the students at Notre Dame University chanted last week during a fleeting visit by Vice President George Bush. Nostalgia for the Reagan era is already a palpable force around the country. For the moment it is working in Mr Bush's favour. Soon, his aides fear, it will begin to work against him.

But before either of the two contenders, 64-year-old Vice President George Bush and Michael Dukakis, the 55-year-old Democratic Governor of Massachusetts, has set foot in the Oval Office, both have begun to squander the more powerful presidency that Mr Reagan has given to them.

The 1988 election campaign may not go down as the dirtiest in history. During their respective election campaigns Theodore Roosevelt was accused of being a crazed drug addict, and Abraham Lincoln of being a bastard and father of a millionaire war profiteer.

But in those days, the vast power of television had not been harnessed to the task of character assassination – the charge which the Bush and Dukakis campaigns either confess to or boast about, depending on whom you talk to and when you catch them.

It is no wonder that the American public has found this spectacle insulting. No surprise either that the electorate is ready to take vengeance on the victor by denying him the support and affection without which, as Mr Reagan learnt to his cost during the Iran/Contra affair, even a once popular president is paralysed.

A year ago, as the 1988 presidential election campaign began to move into high gear and the candidates prepared to compete in the primary elections through which the two parties select their champions, hopes were high. *Americans believed that the quadren*nial rite of political renewal which was almost upon them would lift their spirits – as presidential elections are supposed to.

These hopes have been dashed. Political analysts expect the turnout of voters in today's election to be the lowest for a generation. Millions of Americans will dutifully cast their votes – out of a sense of civic responsibility rather than enthusiasm for the candidates – and millions more, who feel they ought to join the ballot, will stay at home. It is ironic that the 1988 presidential election campaign should have degenerated to the point where voters are saying – by more than two to one – that they wish they had a better choice.

While it is true that neither Mr Bush nor Mr Dukakis is an inspiring or charismatic politician, both are committed and honourable public servants with reputations for personal integrity. Neither can enjoy the sort of campaigns they are running, not least because of the damage it is doing to their own political standing.

Moreover, although many Americans seem to have convinced themselves they are voting for a continuation of the tranquil political environment that exists today, many more feel that the stakes are high this year and that in a time of change their country faces formidable challenges at home and abroad.

While neither Mr Bush nor Mr Dukakis is an inspiring or charismatic politician, both are public servants with reputations for personal integrity

It has been evident – at least since the Democrats regained control of the Senate in the mid-term elections in 1986 – that the nation's priorities have shifted. Two of the priorities Mr Reagan set when he defeated President Jimmy Carter in 1980 – diminishing the role of government and building up America's military defences – have been overtaken by events. Public support for the third – lower taxes – is tempered by the suspicion that this goal is a chimera.

As a result the new President and Congress will be plunged straight into a political maelstrom. The battle over the nation's priorities will open in January 1989 with the presentation of the 1990 Federal budget. The budget law will require some \$50bn (£28.4bn) to be cut from a Federal deficit that hit \$155bn last year and shows no signs of declining.

This will have to be achieved in the midst of demands for new spending on education, social services and – many anticipate – on baling out troubled savings institutions. The deficit must be reduced at a time when spending on some existing programmes, Medicare and the military for example, is spiralling out of control. The Pentagon's budget plans face draconian cuts of \$200bn-300bn, now *that the importance attached to* increasing the US's military security has been superseded by the higher priority of the nation's economic security.

These battles will be fought before the audience of the financial markets, nervously watching for backsliding on the US's commitment to fiscal discipline or a failure by the Federal Reserve to walk the narrow line between inflation and recession.

Abroad too, the US is at a turning point, weakened by its dependence on foreign capital and facing relatively stronger allies and competitors. The new President must find a way for the country to continue leadership in the Western alliance at a time of dramatic change in the communist world.

How is it that at such a juncture neither presidential candidate has presented the voters with a convincing strategy for addressing these broad challenges?

Part of the answer to this question is that in an election year Mr Reagan has handed his Republican Party a legacy which, in narrowly partisan terms, he can be proud of – a sixth successive year of economic expansion and moderate inflation at home, and reduced tensions abroad.

"Americans figure: why not play it safe, things are going reasonably well, why not stick with the devil we know?" says Mr Thomas Mann, Director of Governmental Studies at the Brookings Institution, a Washington think-tank.

Another factor preventing the 1988 presidential election turning on a debate about the nation's future is the weakness of both candidates.

In the summer, when Mr Dukakis was enjoying a 16 point lead in presidential preference polls, Mr Bush's advisers made a startling discovery. Their candidate was more unpopular than any presidential aspirant had been since modern polling techniques began, while the little-known Mr Dukakis was receiving overwhelming approval ratings.

Both campaigns drew the same conclusion from these poll results. They decided that a strong element of their election strategies should be negative attacks on their opponent. This is the third reason why the election debate has not focused on the US's future. At their convention, seeking to capitalise on Mr Bush's unpopularity, the Democrats ridiculed him as a child of privilege – an inept politician who had played no role in Mr Reagan's successes and was dodging responsibility for the Reagan Administration's failures. "Where was George?" chanted the delegates.

The Bush campaign's attack was cleverer and more effective, not least because the high-minded and stubborn Mr Dukakis refused initially to respond to it, while his advisers failed to see the political significance of their opponents' strategy. Both failures have raised legitimate doubts about Mr Dukakis's political instincts and the depth of his sensitivity to the issues on which ordinary Americans respond.

Mr Bush's experienced team of advisers, men such as Mr James Baker and Mr Roger Ailes who have been through three or four presidential election campaigns, carefully plotted a strategy to portray Mr Dukakis as a 1970s left-wing radical who is outside the "political mainstream".

Using television advertisements and daily campaign events choreographed to provide the television networks with 30-second "sound bites", they were able to manipulate symbols such as the Pledge of Allegiance to the US flag, Mr Dukakis's record on prison leave policy and his stance on military issues to portray him as unpatriotic, soft on defence and crime. It was a message which, the polls show, hit home.

Towards the end of the campaign, the Bush team had intended to shift to a more positive message. But the negative campaigning worked so well that they could never quite agree to *make the change in what they feared* would be a close race. Instead they settled on a mixture of positive and negative messages. Inevitably, the latter dominated the headlines – not least because, like Mr Dukakis, Mr Bush was not prepared to be specific on how he intended to tackle the issues thrown up by the forthcoming reordering of national priorities.

The failure of the election debate to focus on the country's future can thus be attributed in large part to three elements: the Reagan legacy, the campaign tactics and the weaknesses of the candidates. But there is another important factor: the ambivalent mood of the electorate.

Both Mr Bush and Mr Dukakis have reflected this on the campaign trail. Mr Bush aims to be the successor to arguably the most ideological US President in modern history – one committed, in word if not always in deed, to "getting government off the backs of the American people." Despite this legacy, Mr Bush has cautiously embraced concepts and initiatives on environmental and social issues that require the government become more active.

Mr Dukakis, for his part, has been careful not to assume that the demand which is building up amongst working Americans for more generous health insurance, better schools and increased government aid for college tuition fees implies a willingness to pay for these initiatives with higher taxes.

In 1960, in a younger, less cynical, more optimistic US, Senator Kennedy was able to rally voters behind a clarion call to get the country moving forward again. Today political analysts are debating the significance of the fact that negativism, not idealism, has set the tone of this year's presidential election.

The campaign has degenerated to the point where voters are saying — by more than two to one — that they wish they had a better choice

Even Senator Bentsen, the Massachusetts Governor's running mate, sounds pessimistic on this score. He conceded on Sunday that whichever candidate wins today, he will not have a mandate for legislative action. Instead, if Mr Bush wins by a narrow margin and the Democrats succeed in retaining control of the Senate and the Congress, the leaders on Capitol Hill will be insisting that the new President pay close attention to their demands.

If this is the outcome – and despite Mr Dukakis's late surge it is the most likely one – an ambivalent electorate will, in many cases quite consciously, have chosen to put the Republicans in the White House and the Democrats in charge of the Senate. This is a recipe for conflict, but not necessarily for disaster. It may even be the best way to tackle the country's problems. In this election, both candidates are pragmatists, not ideologues – and that fact alone is the most optimistic conclusion to emerge from a dull, dirty campaign.

OBSERVER

New look for North West

■ As Eddie Shah launches his new paper, The Post, on Thursday from his base in Warrington, he might cast a worried look towards Manchester, where Britain's other fledgling new daily, the North West Times, is not finding life easy.

The paper was launched in September with only £2.1m of capital as the first provincial morning in Britain for more than a century. It thought it saw a gap left by the Guardian going national nearly 30 years ago. Initial sales looked good, but the paper's managers finally admitted yesterday that they are now at only 25,000.

It needs another 20,000 a day to appeal to advertisers and generate the circulation revenue for survival. In the last few days Roger Bowes, the chief executive, has been looking for a white knight to help with £250,000 of working capital. He may have found it.

There will be a relaunch on Thursday, piggy-backing on Shah's publicity, though the readers the two papers are chasing are very different. This time, instead of a TV and poster advertising campaign, the North West Times is going for a targetted free distribution to 800,000 ABC1 homes in the region – or rather 100,000 a day for eight days to Novemebr 21. Each of these free copies will have a full-colour wrap round announcing a five-week competition offering free British Airways flights as prizes and tied to Manchester Airport's growing international route network.

Culture shock

■ Hyperinflation and the aftermath of a devastating hurricane notwithstanding, not all is gloom and doom in Nicaragua. At the weekend, the capital's residents forgot their woes and immersed themselves in the country's annual song contest "Gaston 88". The winner goes on to represent Nicaragua in the Latin American equivalent of the Eurovision song contest.

In order to upgrade the event, established foreign artists are invited to entertain in the slots between the locals. One of the foreign artists was the glamorous Bulgarian singer, Cristina Dimitrova, who moved sinuously across the stage in black tights and mini-skirt and had everyone eating out of her hand. She then disconcerted the Sandinista officials in the front row by singing very loud in English: "I like to be in America."

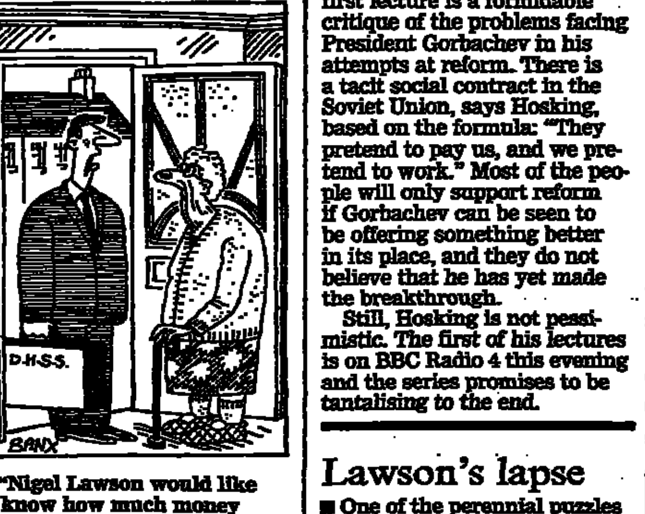
Looking better

■ A portrait of Gerhard Stoltenberg, the West German Finance Minister, will be presented at a small gathering at the Ministry's barrack-like headquarters in Bonn today. Commissioned by a group of his friends, it was painted over the past six months by Ernst Guenter Hansing, an artist from Stoltenberg's home city of Kiel who specialises in somewhat apocalyptic portrayals of politicians.

The picture shows Stoltenberg puffing on a cigarette, surrounded by a mass of ultramarine blue triangles, which the financially initiated could perhaps identify as representations of the country's budget deficit. No-one seems quite sure what to do with it, but even Stoltenberg admitted yesterday that his fortunes are looking up - what with the portrait and the revival of the economy.

Soviet Blimps

■ Apart from one minor quibble, this year's Reith lectures look like being the best for years. The subject is Authority, Culture and Community in the Soviet Union and the lectures are given by Professor Geoffrey Hosking of London University.



"Nigel Lawson would like to know how much money you've got hidden under your mattress."

Hosking begins by quoting one of the many protest letters in Pravda, protesting against change. It runs in part: "I cannot be silent! Look at what is going on around us...At an Estonian song contest a half-naked singer cavorts about with a cross round his neck, and this on television!... In Armenia there are strikes- people skiving without any reason. Where is the law? Why is it silent? And why are those responsible for law enforcement inactive?"

The letter was signed "member of the Communist Party since 1945, Sverdlovsk". Hosking said that that was roughly the Soviet equivalent of "Outraged, Tunbridge Wells". The very minor quibble is that the writer from Tunbridge Wells surely used to be called "Disgusted". Hosking, born in 1942, is perhaps too young to remember.

For the rest, however, the first lecture is a formidable critique of the problems facing President Gorbachev in his attempts at reform. There is a tacit social contract in the Soviet Union, says Hosking, based on the formula: "They pretend to pay us, and we pretend to work." Most of the people will only support reform if Gorbachev can be seen to be offering something better in its place, and they do not believe that he has yet made the breakthrough.

Still, Hosking is not pessimistic. The first of his lectures is on BBC Radio 4 this evening and the series promises to be tantalising to the end.

Lawson's lapse

■ One of the perennial puzzles about relations between government and the media is that nobody ever seems to learn. It is entirely reasonable for Chancellor Lawson – indeed for any Chancellor, left, right or centre – to suggest that benefits to pensioners should go to those most in need of them. Yet to say it in an unattributable briefing to journalists whom it is perfectly clear the Chancellor does not trust to get it right, and who are themselves tied by an absurd convention of not saying precisely where the story came from, is bound to lead to trouble. And it has.

If Harold Wilson as Prime Minister had behaved like that, and he did, Lawson – as journalist – would have been among the first to criticise him. This time the Chancellor has rounded on the journalists. Lawson, of all people, should have known better.

Foul fare

■ Graffito in a Lambeth café: "Egon Ronay wept here."

LETTERS

Market forces and regional policy

From Professor J.C. Shaw.

Sir, Scottish Financial Enterprise has urged that the Elders IXL bid for Scottish and Newcastle be referred to the Monopolies and Mergers Commission (MMC) because of anxieties about its regional implications. These regional issues are of concern not just to Scotland, but to the whole UK.

It is now widely accepted that exposure to free market competition is an effective spur to enhanced economic performance, and that protection from competition will lead to decline. In this particular case, Lex wrote of the Royal Bank of Scotland (October 27) that it would only "become smaller and smaller" if it clung to a "Little Scotland ticket".

No one in the Scottish financial community carries a "Little Scotland ticket". Professional status as world class financial players has been won by confronting international competition from financial centres much bigger than Edinburgh, Glasgow, Dundee, or Aberdeen. These world class players lead businesses which are growing; creating employment and opportunity. They provide role models as well as evidence of the professional and personal satisfactions available in this region for young people of talent. They contribute civic and community leadership, encouraging and enhancing the whole regional environment.

The association between regional development and the strength of local financial institutions is a close one. Businessmen in Scotland enjoy rapid decision-making from locally-based banks and investing institutions, and acknowledge the advantages of a complete, integrated range of financial services on their doorstep.

So why all the fuss about S&N? Because of clear evidence that the local financial services sector suffers direct loss – and consequent contraction – following external take-over of local companies.

Paradoxically, as the local financial community benefits from international growth in free financial markets, it suffers decline at home, as these free markets transfer out of the local community economically important business decisions. Surviving, regionally-based, non-financial businesses suffer loss of service from contraction of the local financial sector.

So the loss of local business heroes weakens the regional community both directly and indirectly. The national distribution of economic activity and of professional opportunity are both of fundamental importance to the well-being of the regions. Concern expressed over other bids for regionally-based companies – Pilkington, for example, and Rowntree – shows how widely and deeply these anxieties are felt. So does the recently published Confederation of British Industry (CBI) survey on businessmens's attitudes to non-UK takeovers.

The extent to which market forces are centralist in their effect has become clear. The Prime Minister's unequivocal rejection of European centralisation is not yet associated with any equivalent commitment to moderating the centralising pressures so evident within the UK. International financial markets take no cognisance of regional concerns. Even a regional component of the international financial community cannot "save" its region.

As Britain becomes a "region" within the single European market, all these issues will arise at national level. In reviewing the Kuwait Investment Office holding in BP, and in defining conditions for the BP takeover of Britoil, the Government has already acknowledged that there are situations where it is appropriate, in the national interest, to modify free market forces.

Regional policy – in the widest sense – suggests that there are others. There is more to merger policy than competition.

We believe that reference to the MMC of the Elders IXL bid for S&N is needed. It would provide an opportunity for careful analysis of the impact on regional and national interests of such bids – and for consideration of the changes we need to satisfy these interests.

John C. Shaw,
Scottish Financial Enterprise,
PO Box 183,
91 George Street,
Edinburgh,
Scotland

The set-aside scheme could usefully be extended

From Mr Michael Parker.

Sir, I see in the Financial Times (October 26) that the Minister of Agriculture is reported as being satisfied with the response to the cereal set-aside scheme. He considers it a success, in that it will set-aside some 220,000 acres of otherwise productive land at a cost of only about £11m per annum to European tax payers, thus reducing the grain surplus.

It seems only reasonable that in a democratic society – and in accordance with the principles of the Treaty of Rome regarding unfair treatment of one sector of agriculture compared to another – a similar set-aside scheme should be set up for other parts of the agricultural industry.

This would seem particularly desirable for livestock. The chicken industry, the turkey industry, and the pig industry are also suffering from surpluses and, hence, substantial financial losses.

On the basis that there will be a payment of some £200 per hectare for cereal producers not to grow cereals, it would not be unreasonable to suggest a sum of, say, 50p per chicken for chicken producers not to grow chickens; £1 per turkey, and, say, £5 per pig – with possibly up to £50 per bullock – for producers not to grow these products.

There would be considerable benefits from extending the set-aside scheme in this way. Less feed grain would be required to feed livestock not being produced; an even greater acreage of cereals could be enrolled into the already successful cereal scheme. By adjusting the benefits dexterously – and, perhaps, generously – it should be possible to achieve a situation in which UK agriculture would produce nothing at all.

Michael Parker,
Fuvor Parker,
The Hall,
Stoke Ferry,
King's Lynn, Norfolk.

From Mr Roger Stearn.

Sir, The following refinement of "set-aside" might make it morally acceptable to recipients of the money.

European farmers could sow their land to grass – which needs minimum tending. The grass would build fertility, ready for the time when the land will again be urgently needed. Meanwhile the farmers and their staff could plant trees in the Sahara.

No work could be more worthwhile. The trees would remove CO2 from the atmosphere, thus counteracting the greenhouse effect. The resulting forests would modify the climate, increasing the rainfall over northern Africa, thus reducing drought and famine, becoming a valuable resource for future generations.

The Sahara is comparatively handy: one and a half hours by jet is reasonable; some Australian and Canadian farmers take longer than that to drive to their farms. The work would suit agricultural skills. And the scheme would be flexible: a farm could be put down to grass for any number of years, and returned to arable at short notice.

Roger Stearn,
Rookyard Farm,
Old Newton,
Stowmarket, Suffolk.

Charity is a flexible friend

From Ms Usha Prashar.

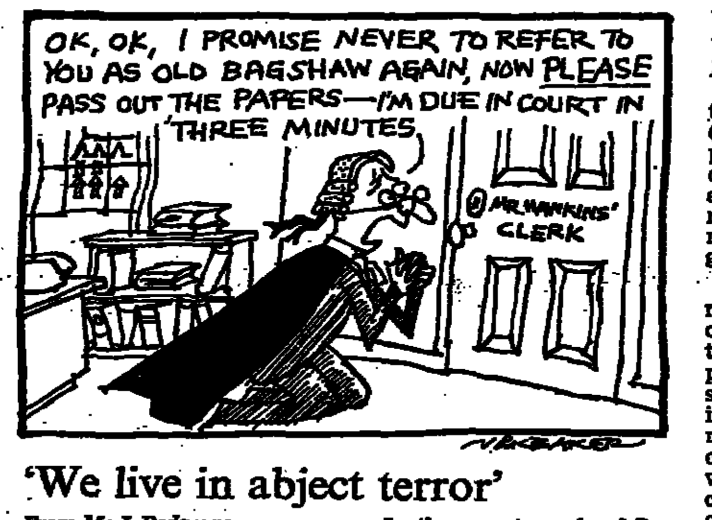
Sir, Michael Prowse (October 31) offers an excellent analysis of the current debate on charity, but a couple of points warrant a comment.

Rather than promoting a statutory commission to "supervise" non-charitable voluntary organisations, as he suggests, the National Council for Voluntary Organisations (NCVO: an umbrella body with 805 member organisations, voluntary and charitable) is setting up a working party to examine the whole area of efficiency and effectiveness in the voluntary sector, both charitable and non-charitable.

An essential part of the task will be to ensure that voluntary organisations take whatever action is needed to secure the highest standards in fund-raising, administration, management and service provision.

Legislative definition of charity may seem superficially attractive. But case law has served both charities and their beneficiaries well. True, it has produced some anomalies – but far fewer than any conceivable statutory definition. Above all, it has the supreme advantage of flexibility.

Usha Prashar,
Director, NCVO,
26 Bedford Square, WC1



'We live in abject terror'

From Mr J. Redgrave.

Sir, Noting Raymond Hughes's recent articles relating to barristers' clerks (Financial Times, October 3 and August 10) I should like to draw your attention to recommendation 34.1 of the 1979 Royal Commission on Legal Services (Cmnd 7648):

"A barrister should *not* (my italics) be compelled to have a clerk but he should be under a professional obligation to see that his practice is administered efficiently."

Many barristers are extremely anxious to see recommendation 34.1 implemented as soon as possible. The explanation is not difficult to find.

In the recent words of Professor A.W.B. Simpson:

"Their relationship to barristers, though formally one of subservience, in reality more closely resembles that of a farmer with his livestock . . . parasitic upon their hosts, for they take a percentage of their earnings. Some make enormous incomes, and young barristers live in abject terror of their displeasure." (Invitation to Law: 1988: pages 156-7: Blackwell).

I would only add that many older barristers also "live in abject terror."

J. Redgrave,
9 Frederick Place,
Clifton,
Bristol

Envy is blind

From Mr Keith McDowall.

Sir, In "The powerful importance of company cars" (November 2) Michael Dixon points out that "the ultimate conclusion of the British Government's present tax policy might be to remove large-scale manufacture from the UK altogether."

Not for the first time, the reason will be the blind envy of the Inland Revenue, irked that it does not have "company" cars. Yet the car perks system in the UK was actually invented by successive Governments, through incomes policies. Among ways of circumnavigating these artificial devices came the company car – and out of it came, just when the UK needed it, a way to save Jaguar, Rover and Rolls Royce.

Companies bought British; quite unwittingly we had stumbled upon the perfect device to favour the home-produced product. Yet the Inland Revenue is systematically destroying this device; today company fleets no longer always insist on home-produced models.

One rarely sees a French company employee riding in other than a French-built vehicle. It will be the same after 1992 – but if the revenue succeed in its current idiocy, that will not be the case here.

Keith McDowall,
42 Gibson Square, N1

Hey, big spender . . .

From Mr David Soskin.

Sir, In response to the Chancellor's Autumn Statement, Joe Rogaly ("Fighting on when war is over", November 4) raises the issue of whether or not the "pendulum has swung too far" with respect to the level of public spending.

Mr Rogaly repeats the Chancellor's claim that "public spending was now below 40 per cent for the first time in 20 years."

This figure is highly misleading, understating the true level of public spending.

Gross domestic product (GDP) is not a correct measure of national income. Net national product is the correct measure of national income.

Measuring state expenditure against this measure shows that the state spends about 60 per cent of the nation's income. The real issue is whether or not it is justifiable for the state to take and spend £6 of every £10 of a citizen's income.

David Soskin,
71 New End,
Hampstead NW3

Stepping stone

From Mr Andy Powell.

Sir, The plea by the Working Mothers' Association, for employers to provide mothers returning to work with flexible working conditions for a "settling-in period", raises the question of how – given the difficulties presented in finding part-time work.

A successful solution adopted by a number of companies is to use this time as opportunity rather than inconvenience, by seconding the employee for a short period to a community organisation. A tailor-made assignment can be arranged through ARC to suit the needs of the employee, with the added benefit of bringing back into the company a greater breadth of working experience.

We urge employers responding to this plea to consider this option as a way of meeting the needs of the company, the returning employee and the local community, in one go.

Andy Powell,
Action Resource Centre (ARC),
CAP House
9-12 Long Lane, EC1

She has been twanging her harp among the angels for some time

From Mr Richard Stead.

Sir, I was unaware that Mrs Thatcher was already an experienced harpist, and that she controls our little country from the privileged ranks of the angels.

Her recent comment that she would need to be twanging her harp for some time before she would accept a federal Europe, when on all the principal counts we are already a federal state within a European nation, leads me to the conclusion that she has for some time been among the angels. It is a possibility which may explain the source of some of her inspiration.

As it is, however, she appears to have overlooked the fact that there is a European Parliament, and that European law takes primacy over UK law. Signs of this nationhood are passports of common design, and identical driving licences. There is a confusion which supports the idea that a common nationhood requires a single currency and a central bank. This is quite unnecessary – arguably undesirable.

After all it was only after the Second World War that the Bank of England was nationalised, and neither the performance of our industry nor the value of our currency since then has been such as to convince that it was a good idea.

Furthermore, there are very good reasons to explain why the banks – which issue credit – should themselves be legally responsible for the value of the paper they issue. As it is, the clearing banks have no concern to honour the value of the pound sterling. The more credit they issue, the more profit they can make; the larger issue of whether the currency loses value is not their concern.

Instead of worrying about a central bank for Europe, the Prime Minister should follow her natural instincts, and denationalise the Bank of England, freeing the right to issue currency. Who would not find a Marks and Spencer jumper (we promise to pay the bearer one) a more solidly valuable note than a pound (of what?). It was once a pound of sterling silver: who was it who defrauded us?

Here are a couple of facts to reflect upon.

Before the monopoly of note issue was granted to the Bank of England in the 1860s, Britain had over 60 per cent of all the manufactures in the world. Since then, our relative situation has not ceased to decline. From the date of the monopoly given to the Old Lady, until 1918, when the right to issue notes was withdrawn from all but existing banks in Scotland – and even those banks had their rights controlled by the Bank of England – the Scottish economy (uncharacteristically) boomed. It did better than the English economy.

So if Mrs Thatcher does not want a central European bank, she should pre-empt the situation by abolishing her own one.

Richard Stead,
Eilean Shona,
Acharacle,
Argyll,
Scotland

FOREIGN AFFAIRS

Things are rarely what they seem

Mrs Thatcher left Gen Jaruzelski only reflected glory and food for thought, writes **Robert Mauthner**

AFTER General de Gaulle had ignited the nationalistic ardour of the French-speaking population of Quebec with his famous cry, "Vive le Québec libre," it was made clear to him by the Canadian Government that he was no longer welcome in the country.

Yet his spiritual successor, Mrs Thatcher, who, during her lightning visit to Poland last week, came as close as any Western leader has done to intervening in the internal affairs of a Communist bloc country with her public support of the banned Solidarity trade union, received no such treatment. Instead, General Jaruzelski, the Communist Party leader and head of state, drove to the steps of Mrs Thatcher's aircraft to bid her a personal farewell, though diplomatic protocol demanded the presence only of Mr Rakowski, her Polish opposite number.

That unusual gesture, coming as it did after the British Prime Minister's calls for greater democratic freedom in Poland and her love-match with Solidarity, speaks volumes about the complicated political situation in Poland, where things are rarely as they appear to be.

The Polish Communist regime, despite its periodic violent clashes with Solidarity, has for years tolerated a far greater degree of dissent than anywhere else in Eastern Europe. Indeed, Poland is no longer a country where a Communist government can wield absolute power with a total disregard for opponents' opinions.

While the Polish Communist Party retains formal political power, it has long recognised that it can achieve little without the support of the all-pervasive Roman Catholic Church or what has sometimes been described as its secular offshoot, the Solidarity trade union. Nowhere has this been more true than in the implementation of the government's desperately-needed economic reform programme. A public dialogue about how this is to be achieved has been conducted in a surprisingly open and non-ideological manner.

Without detracting from Mrs Thatcher's crowd-drawing charisma, the impression given by some of the media that she was courageously proselytising the people of a completely alien planet is therefore mistaken. Her ideas on the need for greater democracy and free market economics in Poland came as much less of a shock to the regime than they would have done a few years ago and many of them fell on already fertile ground.

Indeed, it was clear even before the twice-postponed visit took place, that all parties concerned were intent on using Mrs Thatcher's presence in Poland to further their own particular purposes. Only last spring, the government's programme of industrial restructuring and more realistic prices had led to widespread strikes by steel and shipyard workers. Painfully aware of its scant public support, the government looked to Mrs Thatcher to underwrite its policies.

Bizarre as it may seem that a Communist government should hope to enlist the support of a Western leader to promote its domestic policies, it makes some sense in the Polish context. The Polish leaders, having been obliged to accept a meeting between Mrs Thatcher and Mr Lech Walesa, the Solidarity leader, as a condition of her visit, knew that she would be a hit with the union's supporters because she symbolised Western democracy.

The prescription of a harsh economic medicine would therefore be more palatable coming from Mrs Thatcher than from their own unpopular government. It was not a question of mediation, but of persuasive presentation by someone who was internationally renowned for the success of her economic and industrial policies in her own land. In return, the Polish authorities were prepared to turn a blind eye to emotional Solidarity welcomes to the Prime Minister at the shipworkers' monument in Gdansk and Solidarity churches. The tacit trade-off explains the relative absence of complaints about Mrs Thatcher's public declarations.

For Solidarity, all that mattered was that Mrs Thatcher should be seen and heard to support its demands for a pluralistic political system in which democratic freedoms, including the right of Solidarity to exist, were respected. What are seen in Britain as Mrs Thatcher's inconsistencies – her advocacy of trade union rights and freedom of expression in Poland while, in the view of her critics, clamping down on them at home – is of little consequence to Solidarity, which considers Britain still years ahead of Poland in the practice of democracy.

Though it might not have seemed so at first, Mrs Thatcher in fact broadly satisfied all her clients, as well, of course, as earning popularity bonus points for herself. Even though she made too much fuss of Solidarity for the taste of the Communist leadership, elevating it to the status of an official opposition movement in a democratic society, the Prime Minister also did some of the Polish government's work.

When she emphasised that greater freedom also incurred responsibilities and that people must be prepared to accept hardships as the result of the fundamental reforms the country needed, Mrs Thatcher was conveying the right message to the country's work force from the official point of view. That was exactly the kind of advice that the Polish people have so far refused to accept from their own government.

The big unanswered question, of course, is whether all the hullabaloo surrounding the visit will have any lasting effect on Poland, or whether it was just a splendid three-day wonder, the main result of which was to burnish Mrs Thatcher's image at home.

For the moment, one can only note that the climate for the dialogue between the authorities and Solidarity which Mrs Thatcher said was a necessary pre-condition for greater freedom in the country, has deteriorated since her departure. Solidarity threat, on Sunday, to organise nationwide strikes if the government did not reverse its decision to close the Lenin shipyard in Gdansk has further undermined the prospects for an early round-table conference between the government and Solidarity.

It is also clear that the fundamental problem which has plagued the Polish and all other communist societies infected by the Gorbachev reform bug – the extent to which the ruling Communist Party should allow its "leading role" to be diluted by permitting the legalisation of genuine opposition parties and movements – cannot be solved by a few words from a visiting Western leader, however charismatic and persuasive. Ultimately, its resolution depends not only on the result of a dialogue between the government and other representative groups such as Solidarity, but on parallel developments in the Soviet Union, without whose consent no fundamental political change can be contemplated in Poland.

It was not for nothing that Mrs Thatcher constantly underlined "the bold and courageous reforms" that Mr Gorbachev has undertaken. The linkage which Mrs Thatcher established between economic and political reform is one that Mr Gorbachev himself has accepted, and therefore could hardly be rejected by the Polish leadership.

Yet, at the end of the day, Mrs Thatcher's visit was a very one-sided affair. It allowed the British Prime Minister to fly home in a blaze of prestigious publicity, while the Poles got little or nothing of a concrete nature, least of all an undertaking that Britain would support an early rescheduling of their huge mountain of official debts. To be offered only reflected glory and food for thought at a time of deep economic and political crisis was a bitter pill for the Warsaw government to swallow. One can only admire the restraint and polite good humour with which the medicine was taken.

FINANCIAL TIMES
Tuesday November 8 1988

Economic time bomb for Prague

Leslie Colitt examines an explosive government-sponsored report

Czechoslovakia's conservative leadership, which has stubbornly resisted Soviet-type reforms, was presented yesterday with an economic and political time bomb.

Ironically, it was buried in a 150-page document which the Government commissioned four years ago. Innocuously titled "Global Forecast for Czechoslovakia to 2010", it was handed formally to Mr Jozef Lenart, the Central Committee secretary in charge of the economy.

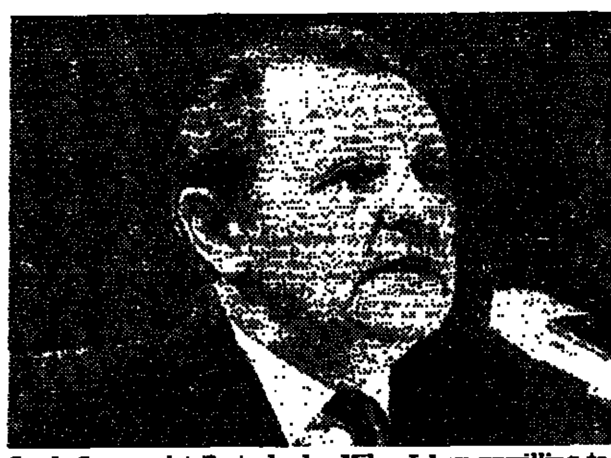
The author is Mr Valtr Komarek, the reform-minded head of the country's only independent economic research body. His Economic Forecasting Institute in Prague has survived by providing the authorities with unbiased information on the economy available nowhere else.

But now Mr Komarek has warned the leadership that economic reforms, to succeed, must go far beyond the mere streamlining measures which the party has so far endorsed. The most explosive message, however, is his blunt reminder to the party that economic reforms cannot be achieved without "essential changes" in the political sphere.

Mr Milos Jakes, the party leader, has stressed that he will not yield any political ground to serve the cause of economic reforms. This appears to suggest that Mr Komarek's recommendations, which include a shift towards the West in Czechoslovak trade, will be rejected by the leadership.

However, Mr Komarek, who studied in Moscow with Mr Mikhail Gorbachev, the Soviet leader, is cautiously optimistic.

Paradoxically, the main reason for his optimism is that Czechoslovakia's centrally planned economy is deteriorating at an ever faster rate. Economic growth slowed to 2.2 per cent last year, but this did not measure the level of useful output, according to Mr Karel Dyba of the Komarek Institute. Growth was also in the wrong areas, such as heavy engineering.



Czech Communist Party leader Milos Jakes: unwilling to yield political ground to economic reform

He noted that there was a huge backlog of urgently needed infrastructure investments. "We lived until now at the cost of the future – disinvesting or investing wrongly," he said last week.

Simultaneously, Prague's trade deficit with the West is growing. The previously low hard-currency debt rose to $5.5bn gross last year from $4bn at the end of 1985.

Shortages of durable consumer goods have developed, but last week Mr Ladislav Adamec, the new Prime Minister, was told in Moscow that the Soviet Union wanted more consumer goods from Czechoslovakia.

The critical economic situation has caused the more pragmatic members of the ruling Praesidium to take a harder look at economic reforms. Thus Mr Komarek was allowed to present his once heretical views on economic and political reform in two recent issues of the party's economic weekly, Hospodarske Noviny. It was a popularised version of his Institute's long-awaited document. The 150,000 in print rapidly sold out and photocopies are greatly in demand.

The economy, he wrote, was dominated by "dogmatists" who now realised the need for industrial restructuring but who still thought in terms of economic streamlining. This, he noted in an interview last week, directly contradicted Mr Gorbachev's policy of perestroika.

His article pointed out that the advocates of streamlining failed to see that the Czechoslovak crisis was one of overproduction of goods for which there was no demand in East or West.

In contrast to the dogmatists, most Western-oriented Czechoslovaks were extremely sceptical about the nation's prospects. Gross national product, once among the highest in Europe, was now at the level of Portugal. The inability to compete with the West was seen as a sign that the nation was "lost forever."

But this pessimistic view, he argued, was as incorrect as that of the dogmatists. What Czechoslovakia needed, he said, was far-reaching economic reforms which created the conditions for a "genuine market."

Economic behaviour, however, could not be changed without "essential changes" in the political sphere. "The real problem is in the interdependent world of politics and economics."

Despite the ousting last month of Mr Lubomir Strougal, the Prime Minister and a would-be reformer, Mr Komarek believes that Mr Jakes and, even more so Mr Ademec, want to emulate Mr Gorbachev. He freely admits, however, that the ordinary Czechoslovak often finds this difficult to believe.

Mr Jakes, he said, was a political centrist engaged in a "sharp fight" with the aggressive, conservative wing of the party which saw the departure of Mr Strougal as a victory.

"The struggle is now becoming clearer," Mr Komarek said.

The publishing of his reformist articles was the first public sign of the "sharp fight" going on behind the scenes. At the same time a mass demonstration against the authorities on October 28 in Prague was evidence that Czechoslovaks were being aroused from their passivity.

Mr Jakes and Mr Adamec would have to get the "awakening masses" on their side, he said. If they could not make the necessary "political changes" there would be a confrontation in which everyone would lose.

Cheers for the red, white and blue

By Timothy Harper
in London

SOME DRINKS invented for tonight's US presidential election parties in London poke fun at the Republican ticket: the Bush Charisma – tap water, no ice; the Quayle Ale – any bottled beer avoids the draught.

However, if the opinion polls prove correct, it will be the Democrats crying in their Budweiser when the last returns are in, the last spin doctors have spun their interpretations of events and the last sound bite has been chewed on network newscasts.

Of course, such a relatively insignificant matter as the election's outcome will not severely dampen the parties planned by campaign followers, US or otherwise, into the small hours.

Besides the innumerable smaller gatherings, Republicans and Democrats will mingle at three public bashes.

The biggest, with 1,500 guests by invitation only, is at the US Embassy. Organisers say there is demand for at least twice that many tickets to wander amid the red, white and blue bunting, the US flags and the network television monitors.

Tickets, including 500 sold for £15 ($25.50) through Republicans Abroad and Democrats Abroad, entitle guests to free Budweiser lager, McDonalds's orange drink or Dunkin Donuts. Partygoers must pay for hamburgers, hot dogs, chilli, wines and spirits.

The remaining 1,000 tickets have been bestowed by the embassy on the favoured in London diplomatic, business and political circles.

A few dozen – government ministers and other ambassadors, for example – will be admitted to the high-security Red Room for a private party hosted by Ambassador Charles H. Price II, a Reagan appointee.

"The majority of our guests will be British," the ambassador says.

The party will begin at 10pm and run "until there is a result." That could be as early as 2am or, in theory, as late as next January when the electoral college formally names the new president.

About 500 people are expected between 9pm and 3am at the National Liberal Club in London, where £45 ticket-holders get food and wine and £10 tickets merit television monitors and a Dixieland band.

The winning drink in the club's contest was the Bushakis Fizz, an assembly of blue curacao liqueur, champagne and a maraschino cherry – red, white and blue.

About 300 will attend a party at the English Speaking Union, where £18 tickets secure food, wine and another jazz band.

Mr John Wood, the chairman of Republicans Abroad, says a presidential election is another opportunity to celebrate being American as on national days such as July 4, Thanksgiving and Super Bowl Sunday.

Republican and Democrat bodies in London, both with about 2,000 members, say US expatriates have not shown the lack of interest and distaste for the campaign reported among voters in the US.

"I certainly think there has been more interest in this campaign than in the last one," says Ms Sally McNulty, head of Democrats Abroad.

The election is another business opportunity for some Americans – the kind who brought the socalled power breakfast across the Atlantic.

Mr Bob Beckman, investment adviser, will hold forth with Shearson Lehman Hutton moneymen at the Liberal Club.

He says a strong Dukakis showing in New York, an early return, could foreshadow an upset leading to financial-market turmoil; or that a big Bush win in New York could mean "we won't have to wait up for California."

THE LEX COLUMN

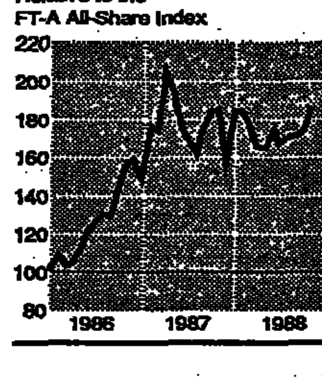
Putting a price on free TV

Getting the broadcasting white paper over and done with could well turn out to be the best thing that has happened to the ITV companies in months. The market had long ago resigned itself to every remotely negative bit of the document, which had been leaked with such thoroughness that yesterday's market greeted it almost as an old friend.

True, the government will no longer be in the business of issuing the broadcasters with licences to print money; but that just means that those who make money in the future will do so because of the quality of their management, rather than in spite of it. And they will do so for longer than had been feared: 10 years rather than eight, with the opportunity to renew their franchises offered to those who can manage to avoid actively fouling the airwaves.

Even those investors who would not know a cable if they tripped over it must now be able to do the simple calculation that more channels means greater demand for programme-makers' output. And that cannot but stimulate interest in a sector which has remained frozen in fear of legislative change for more months than existing shareholders would wish to count. Quite a lot of that interest could come from those who think that their chances of making money in a new world of competitive franchising will be helped by buying a chunk of the old world to take with them. And with almost every ITV company on a substantial discount to the market, perhaps they ought to buy now.

TV Companies Index
Relative to the
FT-A All-Share Index



GrandMet

If yesterday's poison burger is the best defence Pillsbury can produce after five weeks of cogitation, GrandMet looks to be home and dry. The plans for floating off Burger King are studiously vague, but the proposed distribution appears liable for tax only if Pillsbury changes ownership. Since this would presumably apply to any new owner, Pillsbury seems to have abandoned hope of finding a white knight should GrandMet press on. Indeed, yesterday's drop in the Pillsbury price to just below the $60 offer plainly implies that the market has abandoned hope of a restructuring or a counter-bid, and is more concerned that GrandMet might walk away.

On a McDonald-style multiple, Burger King might be worth $15 a share, with the food company proper worth a further $25; as GrandMet calculated at the outset, any plausible reconstruction seems to fall in the $50-plus range, with $60 out of reach. Quite why a British company should be prepared to outreach a food-obsessed US market in this way is debatable. However, GrandMet may well illustrate a truth already demonstrated by BAT, Beazer and Robert Maxwell: the legal defences erected by US companies are these days not a barrier, but at best a negotiating instrument.

HK Telecom

The steady reduction in the size of the Hong Kong Telecommunications issue is the best argument yet for dissociating the market price of Cable & Wireless from that of its subsidiary. If 7.1 per cent of HK Telecom is the absolute maximum that C & W's advisers judge the market able to absorb, the share price can be of limited help in valuing the unquoted remainder. Not only will the issue raise closer to £130m than the £250m which seemed possible at the start of the year, the 15 month ban on subsequent issues means this may not be such a plentiful source of cash after all. And as if all that were not bad enough, the increase in the royalty proves the Hong Kong Government is not a pushover any more. Yesterday's 3 per cent fall in C & W seemed fair enough, given that the shares have outperformed by 20 per cent since April.

S & N

The appearance of Scottish & Newcastle's bid defence only days before a decision is expected on referral gives it a slightly inconsequential air. The main contention – apart from the obvious one that the price is not enough – is that Elders is much more highly geared than it admits. It is going rather far to include the debt of Elders' finance subsidiaries in the calculation, but it is perfectly reasonable to ignore the artificial off-balance sheet structure of the pub business, in which case gearing emerges at just over 100 per cent. But this is of limited relevance to the question of referral; after all, Elders has been here before.

If the bid is cleared, all that will matter is price. S & N makes the strong point that on the basis of Elders' own valuation of the pubs and hotels, the 400p bid values the whole S & N brewing operation, brands included, at 25p a share. It is the more awkward that several S & N directors are shown to have made six-figure profits in the past year by cashing in their options for as little as 214p. This is part of a general clumsiness which has dogged S & N's campaign from the outset; thunderings from the CBI notwithstanding, the company's best hope is still Lord Young.

ABF

Associated British Foods' slightly mouldy profits from milling and baking may have upset Goodman Fielder – which is having enough trouble finding a buyer for his RHM stake as it is – more than ABF's own shareholders. As the company has half as much cash again as operating assets, its disappointing 4 per cent rise in UK trading profits was neither here nor there. The clue to the 6.5p fall in ABF shares yesterday was the similar fall in the Berisford price. Yesterday ABF was free to renew its bid, and although it would have been out of character for the world's most cautious businessman to make a new offer at once, the market was evidently hoping for a scrap of information.

Having missed countless chances to buy when prices were cheap, it would be a pity if ABF were pushed into a deal now simply because there are no end of highly anxious sellers and because the market is clamouring. Mr Weston still wants British Sugar, but thanks to all the leveraged money slopping about a bargain is unthinkable. Earnings from sugar must be close to a peak, and while the rest of Berisford is healthier than before, there is no guarantee that it would fetch high enough prices to make the sums add up the Weston way.

Minister quits after Koskotas disappears

By Andriana Ierodiaconou in Athens

MR TASSOS SEHIOTIS, Greece's Public Order Minister, resigned yesterday following the disappearance of Mr George Koskotas, the banker and press baron charged last month with multi-million dollar embezzlement and irregular foreign currency transactions.

Mr Sehiotis admitted that the police had lost track of the 34-year-old tycoon, who was under 24-hour surveillance, since last Saturday. There was "no information" that he had left Greece. His statements, however, only reinforced rumours that Mr Koskotas had fled the country by sea. A warrant has been issued for his arrest.

Mr Constantine Mitsotakis, the Conservative opposition leader, immediately demanded the Government's resignation and an early general election. He accused the Government of engineering Mr Koskotas's disappearance.

Last week he told parliament that government ministers and people close to Mr Andreas Papandreou, the Prime Minister, were implicated in the Koskotas affair.

"The Greek people are convinced that Mr Koskotas was spirited away in order not to talk, and of course the person chiefly responsible is not the Minister of Public Order. The responsibility reaches the top of the government pyramid," Mr Mitsotakis said.

Similar reactions came from left-wing opposition parties which called on the Government to justify the unusually long period of 11 days granted Mr Koskotas at the end of last week to prepare his defence. Forty eight hours is more usual.

In disappearing, Mr Koskotas left behind a business empire built up in the past six years comprising three daily newspapers, six magazines, a commercial radio station, a leading local football team and a private bank currently being audited by the Bank of Greece.

In the course of establishing his empire, Mr Koskotas developed extensive political contacts.

Rome split on Euro-commission nominees

By John Wyles in Rome

AN UNUSUALLY heated debate over Italy's choice of two nominees to the next European Commission is coming to a climax ahead of a visit to Rome on Friday by Mr Jacques Delors, the Commission President.

Both Mr Ciriaco De Mita, the Christian Democrat Prime Minister, and Mr Bettino Craxi, the Socialist leader, have appeared reluctant to make up their minds in recent weeks over appointments which are invested with greater importance than ever before as 1992 approaches.

Failure to choose people of quality could deny Italy a key portfolio in the Commission next January. As a result, Mr Craxi may now be leaning against the reappointment of Mr Carlo Ripa De Meana, who for the past four years has held the cultural affairs portfolio. Mr Ripa De Meana has not disgraced himself, but neither has he won a position of influence in Brussels.

His most likely replacement would be Mr Renato Ruggiero, whose experience of the Community is second to none in Italy. In the past decade, he has been a director-general in the Commission, Italy's permanent representative to Brussels, head of the Italian Foreign Ministry and, since July 1987, Minister for Foreign Trade.

In his own party, Mr De Mita has to choose between the present incumbent, Mr Lorenzo Natali, and Mr Filippo Maria Pandolfi, Minister of Agriculture for five years until this April. Mr Natali has been at the Commission since 1976, and is a Brussels heavyweight.

Mr Pandolfi is keen to go to Brussels and has some strong backing within the Christian Democrats and from Italian agriculture. A compromise candidate whose name has recently reappeared is Professor Giuseppe Guarino, a former member of the European Parliament, and his party's leading thinker on the Community.

The only other candidacy worthy of mention has been inspired by and for Mr Marco Pannella, the former maverick leader of Italy's Radical Party and also a Euro MP. He has some backing among intellectuals and from the left, but his claim that Italy should reserve one seat at Brussels for the opposition, as other EC countries do, is making little headway.

Rival says Gandhi took arms deal money

Continued from Page 1

Mr Gandhi is accused of depositing more than Rs80m ($5.2m) in a Swiss account after taking commissions in a controversial $1.4bn howitzers deal with Bofors, the Swedish armaments company, that was finalised in 1985 when Mr Gandhi held the Defence portfolio.

Mr Singh has given a specific bank account number and the amounts that were deposited in this on three dates in 1986 and 1987. He has alleged that the commission was taken through a fake company named "Swenska". He also claimed he had more secret information and said he would disclose further details shortly.

Mr Singh said he would renounce public life if the Prime Minister was able to prove that the information was incorrect. So far, no rebuttal has come from Mr Gandhi or his office although, when the Bofors deal was being widely discussed less than a year ago, the Prime Minister made a statement to Parliament that neither he nor any member of his family had taken bribes.

While veiled charges have been made in the past on similar lines in Parliament, where speeches are privileged, or in private conversation, Mr Singh's statement is the first one in which such accusations have been made in public. It marks the beginning of the opposition's election campaign in which corruption in public life will be a central issue. It is now apparent that the campaign will be a bitter one in which no holds will be barred.

Although Mr Gandhi himself has been silent on the charges, some of his followers have retaliated by accusing Mr Singh of having a secret Swiss account in which he has put large sums of money. Mr Singh has denied the charge.

Sources close to Mr Gandhi say that Mr Singh has not made any new revelation and that details of "winding up" payments made to a Bofors agent are being mentioned again. The only difference is that this time it is Mr Gandhi and not the agent who is the target.

Officials point out that the Bofors deal has been investigated by a parliamentary committee whose report, submitted a few months ago, cleared Mr Gandhi and the Government of accepting any unauthorised payments, although the "winding up" payments made to the agent have never been properly explained. The parliamentary committee was boycotted by the main opposition parties.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	13	55	Malta	C	17	63	Rhodes	F	15	59
Algiers	F	23	73	Edinburgh	S	07	45	Manchester	F	09	48	Rio de Jo	R	23	73
Amsterdam	F	07	45	Faro	F	21	70	Manila	R	28	82	Rome	F	16	61
Athens	F	14	57	Florence	S	10	50	Melbourne	S	23	73	Salzburg	S	08	46
Bahrain	C	33	91	Frankfurt	S	05	41	Mexico City	F	26	79	San Francisco	R	20	68
Bangkok	F	31	88	Funchal	S	21	70	Miami	F	30	86	Seoul	F	17	63
Barcelona	C	17	63	Geneva	C	05	41	Milan	S	08	46	Singapore	R	30	86
Beirut	-	-	-	Gibraltar	C	19	66	Montreal	C	15	59	Stockholm	C	00	32
Belfast	S	11	52	Glasgow	C	09	48	Moscow	F	02	36	Strasbourg	C	05	41
Belgrade	C	02	36	Guernsey	S	10	50	Munich	C	03	37	Sydney	F	22	72
Berlin	C	07	45	Helsinki	Sn	-1	30	Nairobi	R	23	73	Taipei	F	25	77
Biarritz	S	21	70	H. Kong	F	24	75	Naples	S	14	57	Tangier	F	24	75
Bombay	S	32	90	Innsbruck	S	08	46	Nassau	F	30	87	Tel Aviv	F	24	75
Bordeaux	S	15	59	Inverness	S	07	45	New Delhi	F	30	87	Tenerife	C	24	75
Brussels	S	08	46	Islamabad	F	29	84	New York	F	20	68	Tokyo	F	19	66
Budapest	S	08	47	Istanbul	C	07	45	Nice	S	15	59	Toronto	C	07	45
B. Aires	F	31	88	Jakarta	R	33	91	Nicosia	R	20	68	Tunis	F	22	72
Cairo	F	28	82	Jersey	S	09	48	Oporto	R	18	64	Valencia	F	19	66
Cape Town	C	23	73	Jo'burg	F	24	75	Oslo	F	07	45	Venice	S	06	43
Caracas	C	10	50	Lima	F	21	70	Paris	F	10	50	Vienna	S	07	45
Casablanca	F	25	77	Lisbon	C	20	68	Peking	F	17	63	Warsaw	C	02	36
Chicago	C	24	75	London	F	10	50	Prague	F	05	41	Washington	F	09	48
Cologne	C	05	41	Los Angeles	C	16	61	Reykjavik	R	07	45	Zurich	F	02	36
Copenhagen	S	08	46	Luxembourg	S	04	39								
Corfu	S	16	61	Madrid	C	14	57								
Dallas	S	16	61	Majorca	R	20	68								
Dublin	F	11	52	Malaga	C	19	66								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK plan for TV industry shake-up

Continued from Page 1

be bad. While there was a great deal of rubbish on US television, he said, there were specialist channels giving news, opera and sport at all hours and this allowed a choice not present in the UK.

Mr Hurd added : "It will be gradually more and more the viewers' choice that will call the tune."

Mr Marmaduke Hussey, chairman of the BBC, said the policy document set a framework for the coming years, and the BBC was determined to play an active part alongside the new competition.

Mr Michael Checkland, BBC director, expressed surprise at the decision to franchise the night hours on one BBC channel despite the Corporation's acceptance of a more aggressive commercial role.

Mr John Whitney, director general of the Independent Broadcasting Authority, said the IBA would be advising caution on the future role of ITV and Channel 4, the dangers of fragmentation of channels, and the dilution of resources.

Mr Roy Hattersley, Labour's home affairs spokesman, said that the auctioning of ITV franchises would adversely affect quality and result in "vast profits for the international tycoons of television".

He said the plan represented a "giant retreat" from the concept of public sector broadcasting, which would result in "less diversity and lower standards".

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 8 1988

INSIDE

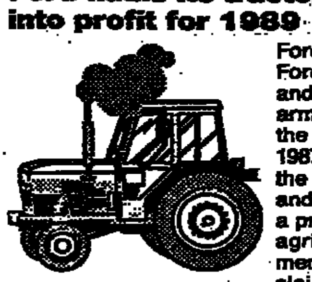
Trading in Thomson, Suter shares stopped

Trading in Thomson T-Line and Suter shares was suspended as the UK industrial holdings companies moved closer to agreement in takeover talks. Thomson T-Line's 275p offer for Suter, headed by David Abell (left), values it at £320m ($563m). Suter shares were suspended at 241p and Thomson at 71p. **Page 30**

S&N fortifies defences against Elders' takeover bid

The battle between Scottish & Newcastle Breweries and Elders IXL intensifies as S&N accuses the Australian group of trying to buy it on the cheap. S&N, which expects this week to hear whether the bid will be referred to the Monopolies and Mergers Commission, urged shareholders in its defence document to reject the £4 per share offer from the Foster's lager brewer. Lisa Wood reports on the latest in the confrontation between the breweries. **Page 32**

Ford hauls its tractor unit into profit for 1989



Ford New Holland, Ford Motor's tractor and farm machinery arm which slid into the red in 1986 and 1987, will be back in the black this year and is budgeting for a profit in 1989. The agricultural equipment company claims a 13 per cent share of the world market, putting it behind Massey-Ferguson of Canada. **Page 22**

Ukrainians look forward to the sweet promise of perestroika

The soil in the Soviet Republic of the Ukraine would be envied by sugar beet farmers around the world, but not the conditions. Farms tackle modern tasks with out-dated equipment and women and men must compensate for the shortcomings of Soviet machinery with physical labour long abandoned in Britain. David Richardson visits a sugar beet farm in the Ukraine which is looking forward to the changes promised by perestroika. **Page 48**

Sydney faces a brighter future in US markets

The US has opened its futures market to the Sydney Futures Exchange in a landmark decision which gives its members outside the US permission to offer its products to the American public without registration. The Sydney Exchange believes it is the first to gain full access to the US for the sale and marketing of its futures and options contracts. **Page 27**

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Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Falls				**Falls**			
BASF	274.1	−	4.4	Alcatel	2401	−	174
BMW	528.5	−	9	CGE	407	−	16
Daimler-Benz	744.5	−	13.5	Comptoir Ent.	198.5	−	10
Karstadt	431	−	17	Essilor	3213	−	197
Siemens	473.7	−	8.5	Skis Rossignol	1180	−	49
Volkswagen	304.1	−	6	Vallourec	253.5	−	15
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
M Corp	⅞	+	⅜	Orient Fin	1390	+	140
RJR Nabisco	86⅞	+	1⅛	Komatsu Con	1769	+	169
Falls				Maruyama MFG	798	+	89
Pillsbury	59¼	−	1⅛	**Falls**			
Procter Gam.	82¼	−	2⅝	Silver Seiko	855	−	49
Sears, Roebuck	43⅝	−	1	Tohoku Elec	1240	−	90
Vesco Instr.	19⅛	−	3¼	Copal	651	−	44

New York prices at 12.30.

LONDON (Pence)							
Rises				Brown (N.)	180	−	22
Baldwin	163	+	23	Cable & Wire	388	−	9
Bertrams I.T.	66	+	9	Enterprise Oil	572	−	7
Booth Inds.	104	+	8	Bass	190½	−	8½
Hartleigh Tech	78	+	7	[illegible]	146	−	8
Lonrho	422	+	9	Glaxo	£10¼	−	¼
Stanley Leis	292	+	15	Nat. West.	532	−	8
Triangle Tst.	68	+	10	Pilkington	222	−	5
Falls				RHM	376	−	18½
A.B. Foods	319	−	8½	Wellcome	216	−	10
Amstrad	187½	−	8½	Woolworth	191	−	6
[illegible]	457	−	9				

Hong Kong Telecom share sale likely to raise record HK$4bn

By **Michael Marray** in Hong Kong

THE HONG KONG subsidiary of Cable and Wireless, the UK-based telecommunications group, plans to raise HK$4bn (US$512m) next month through an international share offering and placement, the largest such exercise ever mounted by a Hong Kong company.

Hong Kong Telecommunications' two largest shareholders, C and W and the Hong Kong Government, are to offer a total of between 6.4 per cent and 7.1 per cent of the company's shares from their respective holdings of 79 per cent and 11 per cent.

No new money will be raised for HK Telecom, which holds a monopoly over the colony's domestic telephone network and its international telephone links.

Despite being the largest share offering ever made in Hong Kong, the sale is smaller than expected. The sluggish state of the Hong Kong stock market may have persuaded HK Telecom, which had previously said that up to 11 per cent of its shares would be sold, to trim the size of the offer.

"The 11 per cent number has become somewhat fixed in people's minds," said Mr Mike Gale, HK Telecom chief executive.

In order to allay market fears that a further overhang still exists, Mr Gale said that a 15-month "lock-up period" will follow the offer, during which neither C&W nor the Hong Kong Government will sell shares.

In terms of its market capitalisation, more than US$7.3bn, HK Telecom is the colony's largest company and is larger than its UK parent.

The prospect of its share offering has cast a shadow over the Hong Kong market since the company gained a listing in February.

The sale will take the form of a combined public offer and placement in Hong Kong, an international placement aimed primarily at continental Europe and Japan, and a public offer in the US, where the shares will be listed on the New York Stock Exchange.

The size of each offer and the price will be decided in early December. Between 425m and 500m shares will be sold in Hong Kong, through a placement with institutions and a public offer for sale. Existing shareholders and company employees will have preferential rights.

Outside Hong Kong, 187.5m shares will be offered in the US, and 100m shares will be placed with institutions in Japan and Europe. UK institutions, many of which are already active in the Hong Kong market, will primarily be taken care of within the Hong Kong offer.

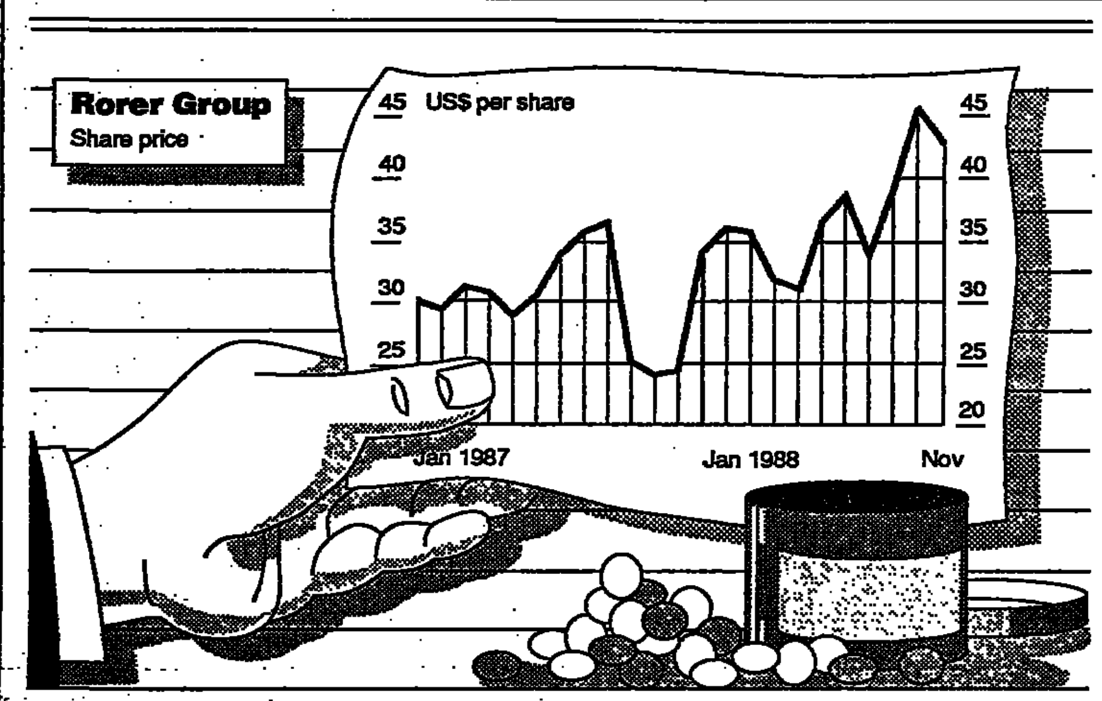
The size of the Hong Kong offer may be increased by 20 per cent to meet demand, with the overseas offers being trimmed.

Under Hong Kong Stock Exchange regulations, about 25 per cent of a company's shares should be in public hands, but the exchange has used its discretion to include the reduced Government holding of 7 per cent as part of this figure, in addition to the 17 per cent which will be in general circulation. C and W's stake will fall to about 76 per cent.

A profit forecast of HK$3.59bn for the year to next March 31 gives a prospective price/earnings ratio of 16 at yesterday's HK$5.20 close, down 10 cents. If the shares were sold at this price, HK$4bn would be realised by the selling shareholders.

A final dividend of 11.5 cents per share has been forecast, and shareholders on the register next January 6 will be eligible for the 11-cent interim

Lex, Page 20



Rorer searches for the cure to takeover chills

James Buchan examines the challenges facing a US drugs group as it tackles its 'Mission Impossible'

Mr Robert Cawthorn, chairman of Rorer Group, has a terrible job. He has taken an obscure maker of pharmaceuticals and surgical devices and tripled its sales to $1bn. Now he must double the Philadelphia company again in size to give it the weight in research and marketing to survive in the prescription drug industry.

Mr Cawthorn does not have much time. Late last month, Rorer stock jumped more than 10 per cent in a matter of moments, amid rumours that Hoffmann-La Roche was about to snap up the company. That particular rumour has subsided. But Wall Street believes Rorer is a prime target for a European company trying to break into the US.

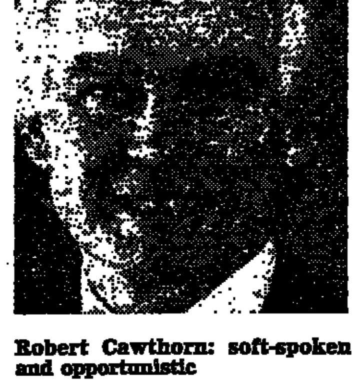
This is a tough environment to hire the chemists and salespeople that Mr Cawthorn wants for a company that meets his bare minimum for survival: $2bn in sales and 2 per cent of the highly fragmented US drug market. But he is cheerful. He said recently: "I can attract people who are fascinated by Mission Impossible: How can we grow to be one of the greats without being taken over?"

Mr Cawthorn, 58, is an Englishman who has knocked about the world. He farmed in Canada, sold pharmaceuticals for Pfizer in Nairobi and Brussels and ran a biotechnology company in Geneva before moving to Fort Washington, the Philadelphia suburb where Rorer is based. He is white-haired, soft-spoken, a lover of risk and a thorough opportunist.

The company he took on as chief executive in 1985 was 75 years old and showing it. The great product that transformed its fortunes, the over-the-counter antacid Maalox, had been losing market share since 1979. Company sales and profits were just $338m and $36.8m that year, which put Rorer somewhere about 60th on the list of US drug companies. Research and development spending, at $18m a year, was paltry at a time when it can cost more than $100m to bring a drug to market.

"We just couldn't place enough bets," Mr Cawthorn says. "I thought we would have to get to the top 20 to have the research and marketing clout. And we would have to look for acquisitions as well as internal growth."

Over the next two years, Mr Cawthorn turned Rorer upside down. He revived interest in Maalox, which was introduced in 1949, by hiring consumer product specialists to market the drug more effectively to doctors and devising new dosage forms and strengths. In 1986, Maalox stabilised, sales rose 17 per cent to $200m in 1987 and this year they are approaching $240m. The company now has a separate consumer products division, based round its great cash generator and Ascriptin, an aspirin coated with Maalox to prevent stomach upset through repeated dosage.



Robert Cawthorn: soft-spoken and opportunistic

He also sold the relatively low-profit margin surgical products business, for $348m. And in January 1986, he spent no less than $690m, or double the company's then net worth, to buy the three health-care divisions of Revlon. Knowing Rorer was too small to compete with the likes of Merck or SmithKline Beckman for prime assets, Mr Cawthorn did a quiet deal with Mr Ronald Perelman, the corporate raider, in the midst of his takeover battle for Revlon.

It was the kind of takeover middle managements hate. The new acquisitions had $290m in sales, scarcely less than Rorer itself. Nobody's job was safe. But after a year of ructions, Mr Cawthorn had a new company based round five product areas: gastro-enterology (essentially Maalox), cardiovascular products, plasma fractions, and treatments for brittle bones and hypersensitivity (chiefly asthma). Rorer also had a strong business in West Germany.

The takeover gave Rorer some promising new products and a research establishment, which is now absorbing the best part of $100m a year. "I know Merck spends six times as much," Mr Cawthorn said. "But three years ago no self-respecting Merck scientist would come to work at Rorer. In the last half year, half a dozen have come over. We're still small enough for people to think they can make a difference here."

It also gave Rorer a very high level of debt. Even after the sale of the surgical devices business, Rorer still had over $500m in long-term debt last year and was the most heavily borrowed of any drug company. But this did not deter Mr Cawthorn. "I don't think pharmaceuticals companies use their balance-sheets enough," Mr Cawthorn says. "We have very strong and stable cash flow from Maalox."

New applications for Maalox and strong sales of Monoclate, a highly purified plasma fraction, should allow Rorer to increase its sales by 10 per cent a year and its earnings by 15 per cent or so for a while, according to Wall Street analysts. But Rorer still lacks the muscle to develop new products as they come out of research and enter expensive and time-consuming clinical trials.

In April last year, Mr Cawthorn tried to solve Rorer's problems in one fell swoop. He offered $2.6bn for one of the most tainted corporate properties in the US, the AH Robins over-the-counter drugs group. The company was in bankruptcy, because of a deluge of damage suits arising from its Dalkon Shield intra-uterine device. Even Rorer's own board was worried. But Mr Cawthorn believed the two companies could fund a trust for the injured women and still form a powerful business combination.

"It was a beautiful deal," he says wistfully. "It would have given us critical mass." Unfortunately, American Home Products, a company with a much deeper pocket, entered the fray and easily outbid Rorer.

Perversely, the failure to acquire Robins has focused attention on Rorer itself as a takeover candidate. Rorer stock closed on Friday at $42⅞, almost double its low for the year. "In this day and age, no company is safe from takeover," Mr Cawthorn says. "If someone offers $100 a share, he buys the company. There's no point looking over your shoulder all the time."

FDIC gives ground in rescue talks with Texas bank group

By **Anatole Kaletsky** in New York

MCORP, the troubled Texas bank holding company which announced last month that it would be asking for large-scale assistance from the US Government, appears to have won a crucial victory in its struggle to retain some control over its own future.

The company, which had earlier threatened to file for bankruptcy if it received a government directive to transfer its remaining funds into its undercapitalised banking subsidiaries, said it had reached "an understanding" with the Federal Deposit Insurance Corporation. As part of this understanding, the FDIC would not insist on MCorp injecting $400m into its banking subsidiaries while a recapitalisation was in progress with potential investors.

The deal could enable MCorp's chairman, Mr Gene Bishop, to keep MCorp independent, instead of allowing the FDIC to force the company into an unwanted merger, as it did in the rescue of First RepublicBank earlier this year.

Last month, Mr Bishop announced a recapitalisation proposal under which the company would have combined its $400m of remaining capital with $400m of new funds raised by outside investors and $1bn of support from the FDIC.

The $400m of external capital was to be provided by a rights offering to existing shareholders as well as an major investment by Mr Carl Lindner, a leading financier from Cincinnati.

Mr Bishop's plan was threatened two weeks ago, when federal regulators told him that all of MCorp's remaining funds had to be committed immediately to the support of its insolvent banking subsidiaries.

Government officials said at the time that this direction raised an important point of principle, since only the banking subsidiaries and not MCorp itself were guaranteed by the federal deposit insurance. The FDIC had stressed repeatedly in the past year that it would not allow shareholders or bondholders of bank holding companies to benefit from government assistance. MCorp was see as a major test case.

Mr Bishop noted, however, that MCorp's remaining capital had been generated not through its banking business but by the sale of two non-banking subsidiaries, MTech and MNet. He argued that he had an obligation to the holding company's bondholders to retain these funds in MCorp and not allow them to be channeled into the banking subsidiaries.

The deal with the FDIC appeared to imply the regulators' acceptance of these positions, at least for the time being. The prices of MCorp's shares and bonds rose sharply.

Bond opens talks on sale of TV stake

By **Ray Bashford** in London

MR ALAN BOND, the Australian entrepreneur, is poised to make further asset sales. Negotiations have reached an advanced stage for the sale of ITC, a film and television production company, and a 14.9 per cent stake in TV-am, the British breakfast television franchise, which would have a combined price tag of between £80m and £85m ($150m).

The sales would follow the disposal last week of a 14.9 per cent holding in Standard Chartered, the international banking group, for £165m and a 13.4 per cent stake in M&G, the fund management group, for £34m.

Further disposals would strengthen Mr Bond's hand if he decided to use his 20.5 per cent stake in Lonrho as a springboard for a takeover offer for the UK-based multinational. Lonrho shares were again traded actively yesterday, closing 9p higher at 422p.

The TV-am stake is expected to raise between £15m and £20m, and talks are continuing with several interested parties.

Sources in the US believe that ITC may be acquired by a Californian group, and discussions continued over the weekend in New York. A management buy-out is also under consideration but financing difficulties have been encountered.

Bond is expected to receive about £65m for ITC.

St Gobain buys 3% of Essilor optical group

By **Paul Betts** in Paris

SAINT GOBAIN, the French glass and packaging group, has acquired a 3 per cent stake, worth about FFr150m ($13.9m), in Essilor, the optical glass company which has become the world leader in the spectacle glass market.

The purchase will reinforce control of Essilor by its management and friendly shareholders to avert the threat of an unwelcome takeover bid. It is also designed to provide Essilor with a strong industrial long-term partner to back its international development.

Mr Bernard Maitenaz, Essilor chairman, said his company had been looking for such a tie after forging similar financial links two years ago with Crédit Lyonnais, the French state-owned bank.

Mr Maitenaz said Valoptec, the vehicle for Essilor's management shareholders, together with Crédit Lyonnais and St Gobain now controlled about 45 per cent of voting rights.

"This still makes a takeover bid against us mathematically possible but I think the presence of partners like St Gobain and Crédit Lyonnais should make anybody think twice before launching a hostile bid," he said.

Essilor has long been regarded as a potentially attractive target because of its strong profits and remarkable growth record since it was created in 1972.

The company expects its consolidated sales to total FFr4.2bn this year. Mr Maitenaz said Essilor's net profit margin should reach 7 per cent of sales next year.

Essilor's move reflects a trend among France's smaller successful independent companies seeking friendly partnerships with larger groups to protect against hostile takeovers.

Valeo bows out, Page 24

RJR Nabisco board split over management buy-out

By Anatole Kaletsky in New York

THE $20bn-plus takeover battle for RJR Nabisco continued to intensify yesterday as signs emerged of a possible split between some members of the RJR board and the senior managers who have been trying to buy the giant tobacco and foods group.

Controversies have arisen over the levels of compensation proposed for senior managers under the buy-out offer announced by the management group last week, as well as over the entry into the takeover fray of an investor group led by Forstmann Little and Procter & Gamble.

The possibility of a split between RJR's management and the special committee of outside directors that has been charged with evaluating all the bids, increased the chances of an open auction for control of the company. RJR's shares climbed by $1 to $86⅝ in active trading yesterday morning, despite the general weakness of equity prices on Wall Street.

One of the issues that has raised eyebrows, according to people familiar with the bidding, is the management group's plan to give senior managers an equity stake of up to 20 per cent in the $20bn-plus buy-out in exchange for an investment of only about $20m.

However, a more significant difference of opinion emerged over the possible bid by Forstmann Little. The management group's advisers have suggested that Forstmann Little could be in breach of an earlier undertaking it made not to bid for RJR except with the management's consent. The Forstmann group's advisers indicated, however, that they had made no such agreements with the management team.

There were also suggestions that the RJR board positively welcomed the entry of a third potential bidder to ensure "a horse race" over the company's future. The next step in the battle could be for the RJR board to lay down publicly a set of ground-rules that would ensure equal participation in an auction by all three potential bidders.

RJR has made confidential financial information available to the Forstmann group and Forstmann is expected to decide within the next few days whether to make a bid. The group, which includes Procter & Gamble, Ralston Purina and Castle & Cooke, a major fruit canner, has said that if it did bid, it would make an all-cash offer that would top the two proposals now on the table – a $92-a-share offer from the management-led group and a $90 offer from Kohlberg Kravis Roberts.

Midland Bank beats path to Vitale's door

By Alan Friedman in Milan

THIS EVENING in London, a small team of executives from Britain's Midland Bank will sit down to negotiate with a bouncy 50-year-old banker from Milan. The banker's name is Mr Guido Roberto Vitale.

In his native Italy, Mr Vitale is known as the man who 15 years ago set up Euromobiliare, an investment bank that is today one of the very few institutions able to compete with Mediobanca, the powerful *numero uno* of corporate finance.

The Midland-Euromobiliare talks are significant because they stand a reasonable chance of leading to a deal under which Midland could become the first UK clearer to achieve a prominent role in Italian finance. Put simply, the negotiations concern the acquisition by Midland of an equity stake in Euromobiliare, which would boost the UK bank's overall stake from around 3 per cent at present to around 40 per cent. This would bring with it effective control of Euromobiliare.

The sum of money being discussed – believed to be around $65m to $75m – is not so large by global banking standards, but the implications of a Midland-Euromobiliare alliance are considerable, at least in Italy.

For Midland, a deal with Euromobiliare would give the British bank a substantial position in an evolving market. Euromobiliare, since being founded in 1973, has been one of the most ardent advocates of consolidated balance sheets, externally audited accounts and other practices that have been slow to take root in Italian finance.

With a staff of 97 people, 40 of whom are engaged in corporate and stock market activities, Euromobiliare has been active in underwriting new share issues, in mergers and acquisitions business, in portfolio management and in Eurobond trading.

The Milan bank, thanks to a merger a few years ago with Confindi, a fund manager, has 2,000 "high net worth individual" clients with L600bn ($453m) of funds. Last April, Euromobiliare became the first private-sector institution since 1939 to be awarded a formal banking licence. It has in recent months attracted around L50bn of deposits at its single Milan branch and Mr Vitale has described his goal as trying "to be an Italian version of Brown Brothers Harriman, a boutique bank aimed mainly at corporate and wealthy individual clients."

Mr Vitale himself is an aggressive and shrewd deal maker in Italian finance and his personal standing is such that he was considered a few years ago as a possible chairman of Consob, the Italian stock market authority. Among his most important deals are two associated with Mr Carlo De Benedetti, who is a key Euromobiliare shareholder. In 1978, Mr Vitale engineered the purchase of Mr De Benedetti's first share stake in Olivetti.

In 1985, in a deal that was considered audacious in Italy, Mr Vitale helped Mr De Benedetti to swoop in on the Buitoni family, which was about to sell control of its foods group to BSN Gervais Danone of France. Mr De Benedetti succeeded in taking over Buitoni just as Mediobanca was putting the finishing touches on the sale to BSN.

For Midland, effective control of Euromobiliare would thus represent a key step into a market dominated by just a few major players. Euromobiliare did make a L13.8bn loss in the 12 months that ended last June, but this was largely a result of securities write-downs that hit most Italian banks.

One indication of the seriousness of the talks is the fact that Mr Vitale will be accompanied in London by a representative of Euromobiliare's three biggest shareholders. They are, aside from Mr De Benedetti, Mr Raul Gardini and Mr Silvio Berlusconi. The three together control 45 per cent of the Italian investment bank.

Pebereau anxious to resolve SocGen 'misunderstandings'

By Paul Betts in Paris

MR GEORGES PEBEREAU, the former chairman of France's CGE telecommunications and heavy engineering group who has accumulated with a group of financial partners a 9.16 per cent stake in Société Générale, the largest French privatised bank, yesterday extended an olive branch to Mr Marc Vienot, SocGen's chairman.

Speaking for the first time since his controversial raid on Société Générale, Mr Pebereau said he was anxious to hold talks with Mr Vienot and the bank's management to try to iron out what he described as "misunderstandings" over his intentions.

Surrounded by his principal French backers, including Mr François Dalle, the former chairman of L'Oréal, Mr Jean-Louis Descours, the head of the André shoe group, and Mr Gustave Leven, the chairman of Perrier, Mr Pebereau said he wanted to work with, and not against, Société Générale. He added that he had no immediate plans to raise his stake further in the large bank.

"In five years' time, I would rather have 10 per cent of a highly profitable bank than 30 per cent of a bank with an average performance," he said, emphasising that he and his partners regarded their stake as a "long-term investment."

Both Mr Pebereau and Mr Dalle scoffed at suggestions of their involvement in underhand political manoeuvres to destabilise the core shareholding structure of Société Générale, and Mr Pebereau claimed "we are not raiders and we are not interested in short-term speculation."

"I am not involved in any political operation. Why should I be bothered? It would be completely foolish," said Mr Dalle. Referring to Mr Descours and Mr Leven, Mr Dalle said he had joined "two old friends" in the investment. "We are three 70-year-old golden boys who want to do business," Mr Dalle said.

However, Mr Pebereau's conciliatory statements have not mollified Société Générale, although the bank yesterday opened a crack for possible talks with Mr Pebereau. However, it indicated in a statement that it remained highly suspicious of Mr Pebereau's intentions and underlined its opposition to the presence of the state Caisse des Depôts financial institution as one of Mr Pebereau's allies. Société Générale also reaffirmed its opposition to the presence of a dominant shareholder in its capital.

Mr Pebereau indicated yesterday that if talks with Société Générale's management failed to unblock the situation, he would envisage negotiating directly with the privatised bank's other shareholders. He also did not rule out further purchases of Société Générale shares.

The French banking committee yesterday gave Mr Pebereau full authorisation to raise his stake in Société Générale above 10 per cent.

Lawson Mardon rises 84%

By Maggie Urry

LAWSON MARDON, the Canadian-based packaging group which has substantial interests in Europe, yesterday reported third-quarter figures showing after-tax profits 84 per cent up at C$14.5m (US$11.9m).

However, the figure includes an after-tax gain of C$7.1m associated with Impetus Packaging, a joint venture company set up with MB Group of the UK to make and market beverage bottles in Europe.

Excluding that gain, third-quarter profits were slightly lower. Lawson Mardon said this was largely because it had been difficult to pass on the sharp rise in raw material costs in the plastic flexible packaging business and because of the absence of profits from the North American forms business, sold during the first half of the year.

Good performances were achieved by the North American packaging operation, where margins are rising, and the European rigid plastics activities.

In the nine months so far this year, after-tax profits are ahead by 69.3 per cent to C$32.5m.

Ford's farm unit ploughs ahead

New Holland sees sales rising by up to 8%, says Nick Garnett

Ford New Holland, Ford Motor's tractor and farm machinery arm which slid into the red in 1986 and 1987, will be back in the black this year and is budgeting for a profit in 1989.

Ford's agricultural equipment company sold almost 90,000 farm and industrial tractors last year and claims a 13 per cent share of the world market. This puts it behind Massey-Ferguson of Canada and Italy's Fiat and about level with Case IH of the US.

Mr Gorham Cowl, executive vice president for marketing and sales, said in an interview that the company expected to increase its unit sales by between 7 and 8 per cent for the whole of 1988.

This would raise its overall market share by one percentage point in an industry that has seen some recovery from the catastrophic slide in farm demand at the start of the 1980s.

Ford acquired New Holland, a manufacturer of combines and other harvesting equipment in 1986 for $380m and the following year bought for about $90m Versatile, a Canadian maker of large articulated four-wheel-drive and bi-directional tractors.

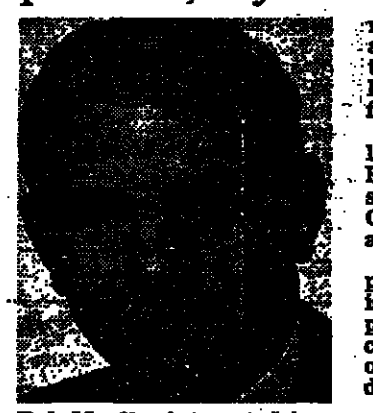
Mr Bob Moglia, Ford New Holland's chairman and chief executive, speaking at headquarters in New Holland, Pennsylvania, said the company was probably finished with acquisitions. "I think we needed to do something. Now that we have done that we are in a strong position," he said.

However, the company is understood to be looking at the possible purchase of at least one equipment maker. Some senior managers also believe Ford New Holland needs to add some extra types of equipment – by acquisition – to its industrial lines to help give dealers higher margins.

Ford New Holland has joint manufacturing or supply deals with other companies. Out of its 90,000 tractor sales, 13,000 last year were so-called compact tractors up to about 40hp made for Ford by Shibaura in Japan.

Mr Moglia said there were no plans to sell higher horsepower Shibaura tractors but that did not mean that this possibility had been ruled out.

The US company also entered into an agreement recently to buy from Kubota of Japan several thousand transmissions a year for 40hp to 70hp tractors. The transmissions have been jointly designed by the two companies.



Bob Moglia: interested in further component deals

Mr Moglia said Ford New Holland was interested in other such deals on components. "It is the best way to supply component needs," he said.

Ford New Holland says that overall it is ahead of schedule in "harmonising" the separate New Holland and Ford dealerships. It is three quarters of the way through doing this in North America, for example, where 2,300 dealers are being reduced to between 1,700 and 1,800.

In some parts of Europe, the merger of dealer networks is running behind schedule. "We are not going to crunch them together in Europe," said Mr Bob Nicolazzi, vice president for international sales.

New Holland is the second largest supplier of combines in Europe, with 21 per cent of sales, behind Claas of West Germany which has more than a quarter of the market.

However, New Holland's position in its domestic market is weak, with no more than 7 per cent of North American combine sales. "Our objective over the next five years is to double that," Mr Nicolazzi said.

Ford New Holland predicts a total compound growth of 10 to 12 per cent in tractor demand in open world markets over the next five years.

The industry, though, is still plagued with production overcapacity. Mr Moglia said capacity was still probably around 800,000 units, as against sales of 650,000.

Asked which type of tractor supplier would benefit most from an opening up of the European market, Mr Moglia said: "I guess those that can figure the right distribution techniques, that recognise a really homogenous market and can buy modern technology on information systems may have an advantage."

"What does finding the right price mean if it isn't the right thing to do?"

More than price, the key issue in mergers and acquisitions should be whether a transaction is really the right thing to do. At J.P. Morgan, we ask: Is it consistent with your long-range strategies? Does it fit your total operating environment? Will it increase your shareholder value over time? Unless we conclude it's really in your best interests, we won't advise you to pursue a transaction just to earn a fee. Morgan's success has always derived from building long-term relationships.

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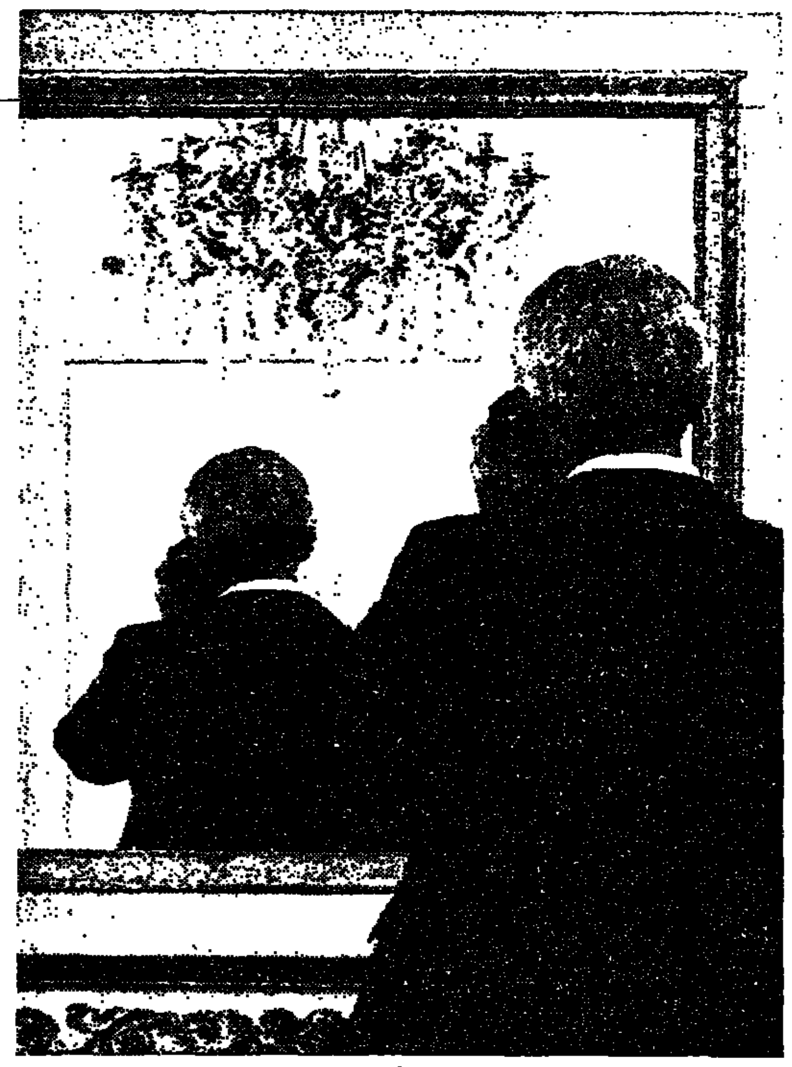

In mergers and acquisitions, failing to make the distinction between price and value is like turning your back on reality.

JPMorgan

Générale in Montagne stake talks

By Our Financial Staff

SOCIETE GENERALE de Belgique, the Belgian holding company, and a group of shareholders in Vieille-Montagne, the Belgian zinc producer, have had contacts on the possible sale to La Générale of Vieille-Montagne stock, La Générale said.

La Générale's statement followed several weeks of stock market speculation that the shareholders, thought to be a group of Flemish investors, *were trying to sell at* least part of their stake in Vieille-Montagne.

The shareholding, thought to be around 25 per cent of Vieille-Montagne's stock, is held via Flin, a Luxembourg-based holding company.

La Générale has a stake of 51 per cent in Vieille-Montagne via Union Miniere, its non-ferrous metals subsidiary.

La Générale is in the throes of drawing up a reorganisation of its holdings, including those *in non-ferrous metals. Analysts* said the possible purchase of Vieille-Montagne stock might be part of those plans.

Valeo pulls out of fray for Epeda

By Paul Betts in Paris

MR NOEL GOUTARD, chairman of Valeo, France's leading car components group, *yesterday threw in the towel in* his hostile bid for control of Epeda-Bertrand Faure, the diversified French car seat manufacturer.

He confirmed that Valeo did not plan to top the FFr4.3bn ($703m) bid for Epeda launched last week by Mr Pierre Richier, the chairman of Epeda, with a group of financial and industrial partners, including the Peugeot car group and the Michelin tyre company.

The opposition of Peugeot *and also of Renault to the* Valeo bid had tilted the balance, Mr Goutard said. Between them, Peugeot and Renault accounted for nearly *half Valeo's annual sales of* FFr16bn.

"In our business, the customer is always right and that is why we have decided not to pursue the takeover bid," Mr Goutard explained.

However, he expressed regrets that Valeo, which is under the management control of Mr Carlo De Benedetti, the Italian businessman, was not able to go ahead with its takeover bid.

Mr Goutard argued that the *deal would have made indus*trial sense for both Valeo and Epeda and helped the French car components group in its efforts to build up its critical *mass. "But Valeo has* no intention of entering into unreasonable bidding battles nor challenge the wishes of its main customers," he emphasised.

However, Mr Goutard said Valeo was going ahead with a number of smaller acquisitions and joint ventures which would increase its overall turnover by the end of this year by about FFr1.5bn a year.

He disclosed that Valeo was negotiating a joint venture in the car components sector with *a Japanese group in Spain and* was close to finalising a joint venture with Acustar, Chrysler's components subsidiary, to provide heating and air condi*tioning systems for Chrysler's* proposed new world car known as the LX-LH.

Mr Goutard added that Valeo was also in advanced discussions with another US car group to acquire a car components subsidiary in the US.

In Europe, Valeo has just acquired Tibbe, a West German company specialising in burglar alarms and anti-theft devices for cars with annual sales of about FFr200m. It is also acquiring control of Clauser, a Spanish anti-theft device maker with sales of FFr200m.

Caution on full-year by Karstadt

By Our Financial Staff

FULL-YEAR net earnings at Karstadt, West Germany's largest department store chain, will be lower than in 1987 despite higher profitability of its subsidiaries, the company said yesterday in its interim report.

Karstadt said rising costs of modernising its network of stores and restructuring distribution within the company would cause "considerable pressures" on earnings. Last year, Karstadt's parent company net income rose 45 per cent to DM119.8m ($67m) from DM82.6m in 1986. Group earnings soared 75.3 per cent, to DM171.6m from DM97.9m.

Sales at the parent company, excluding travel services, rose 3.1 per cent in the first nine months of 1988 to DM6.86bn from DM6.65bn in the year-earlier period.

Karstadt's mail order unit, Neckermann Versand, which had returned to profitability *in 1987*, posted a 7.4 per cent increase in sales in the first nine months, to DM1.292bn from 1.208bn.

Holderbank sees record earnings

By John Wicks in Zurich

HOLDERBANK, the Swiss-owned group which is the world's biggest cement producer, expects a further 15 per cent increase in consolidated earnings this year to a record SFr333m ($222m).

The company, with an annual capacity of 43.5m tonnes of cement, lifted group profits by 21 per cent in 1987 to SFr289m. Total income of the holding company, Holderbank Financière Glarus, is expected to go up by 18 per cent in 1988 to SFr104m and net profits by 11 per cent to SFr65m.

Speaking in Zurich yesterday, Dr Max Amstutz, managing director, said group turnover should rise this year from SFr3.68bn to more than *SFr4bn. This would largely* reflect higher prices, since sales volumes are seen increasing by only about 2.4 per cent to 35.3m tonnes of clinker and cement.

Investments should increase in 1988 by some 50 per cent to SFr480m, Mr Amstutz added, or rather more than one-half of estimated *cash-flow* of SFr835m. He attributed this primarily to acquisitions in the field of ready-mixed concrete and aggregates, as well as to expenditure on the recently-reopened plant of its US subsidiary, Ideal Basic Industries, at Mobile, Alabama. This has annual capacity of 1.5m tonnes.

Among new projects, the Apasco group affiliate plans to build a 1m tonne a year cement works near Monterrey in northern Mexico, to open in *1991. In the US* a plant with the same capacity is due to open at Hudson, New York, in 1993.

Church's spurns offer

CHURCH'S FRIED Chicken, the *Texas-based fried chicken* store chain, said its board determined that a $292m bid from A. Copeland Enterprises for the company was inadequate and not in the best interests of the company or its stockholders, writes Our Financial Staff.

The board unanimously recommended that stockholders not tender any of their shares to the Copeland offer, which is pitched at $8 a share.

Church's said its board concluded that "now may not be an appropriate time to sell the company in view of the recent appointment of Ernest E. *Renaud as president and chief* executive and the expectation that greater stockholder value will be realised in the future."

Benckiser in Italian bid

JOH. A. BENCKISER, the *Ludwigshafen-based applied* chemicals group, is seeking to buy Panigal, an Italian family-owned detergents and food company which Henkel, another German group, has been seeking to acquire, writes Our Financial Staff.

Henkel, West Germany's largest detergents manufacturer, had said in late October that it was in talks with Panigal's owners *with a view to* taking over the company.

Last May Henkel lost out to Benckiser in a race for a majority stake in Mira Lanza, the Italian household cleaning products company.

Benckiser said it expected to generate DM600m ($335m) in turnover in Italy this year out of total sales of DM1.9bn.

Flat outlook for Sulzer

By John Wicks in Zurich

SULZER BROTHERS, the Swiss engineering concern, expects this year's group earnings to be about the same as the *SFr77m* ($51m)recorded for 1987. Parent company profits are also seen as being close to the 1987 figure of SFr45m.

In Winterthur yesterday, Mr Erich Müller, executive vice president, said operational group profits should be above the 1987 level despite restructuring measures and divestments. So far this year, a gas turbines plant in New York State has been closed and two companies – Automelec in Switzerland and Sulzer Morat in Germany – have been sold.

Also, 1987 had seen extraordinary income of SFr15m from a property sale in Switzerland, while a decline in liquid assets will this year mean a drop in interest income.

In the first nine months of 1988, new orders rose by 17 per cent to SFr4.05bn. This excludes the recently acquired US medical-equipment company, Intermedics, whose order books grew over the period by 14 per cent to SFr250m.

Elkem bounces back to profits

By Karen Fossli in Oslo

ELKEM, the Norwegian metals group, returned to the black in the first nine months of 1988 with profits before extraordinary items of NKr392m ($58.8m), against *losses* of NKr125m a year earlier.

The recovery resulted from strong demand and favourable prices for aluminium and ferro-alloys. Group turnover increased by 25.5 per cent to NKr6.99bn. Net extraordinary *income of NKr344m* boosted final pre-tax profits in the latest period to NKr736m.

INTERNATIONAL COMPANIES AND FINANCE

GT Management reveal drop in profits to £2.7 m

By Vanessa Houlder in London

THE STRAINS inflicted by the bear market were underlined yesterday by GT Management, UK-based international investment management group, which announced a sharp drop in pre-tax profits to £2.7m ($5m) for the six months to September 30.

The result was less than a third of the £8.5m profit achieved in the same period of 1986-87, and compares with the £4.3m reported for the second half of last year. GT shares closed 8p lower at 148p.

GT made progress with international diversification, however, in particular towards Japan which now accounts for 20 per cent of business, he said.

The US mutual fund business, which GT entered in mid-1987, had increased its market share and was expected to contribute to profits in 1989. In continental Europe, where GT has set up offices in Amsterdam, Munich and Luxembourg, the immediate cost pressures were expected to be offset by new business over the medium term.

GT's results, although worse than expected, were viewed by analysts as being symptomatic of the problems faced by all fund management groups. A similar battering is expected to be revealed in the interim results of Henderson Administration which will be announced today.

Mr David FitzWilliam-Lay, GT chief executive, said he was optimistic about the long-term future, but did not expect a recovery by the year-end.

Changes in unit trust dealing rules in July, which stopped managers from dealing in units of their own funds – formerly a major source of profits – would continue to take a toll in the second half of the year, he warned.

Turnover, which fell from £25.4m to £16.1m, was depressed both by market conditions and by a £400m fall in funds under management during the six months to £3.2bn.

Mr FitzWilliam-Lay said this was reflected in the loss of institutional clients and, in particular, the loss of one major foreign account.

Costs were reduced from £16.9m to £13.4m, due to salary cuts, a 5 per cent reduction in employees.

The UK unit trust business, which accounts for about 11 per cent of the group, had a "much more difficult" period.

It suffered because of increased competition, changes in dealing rules, and little new investment from the public and compliance costs.

Mr FitzWilliam-Lay said GT, recently subject of bid speculation, had received no serious approaches.

ABF results modest at £89.3m

By Clare Pearson in London

ASSOCIATED British Foods, the milling and baking concern, yesterday disappointed the most modest expectations in the City, London's financial sector, with its interim results. Pre-tax profits emerged just 8 per cent higher at £89.3m ($157.7m) for the six months to October 1. Analysts had expected between £90m and £95m.

The lacklustre results, which followed a slowing in profits growth in the previous financial year, was seen as increasing pressure on ABF to use its surplus funds – now worth well over £900m – to make acquisitions.

The main reason profits fell short of analysts' expectations was a lower than expected rise in investment income to £35m which came after a disappointing £31.9m in the same period last year. The company blamed interest rate fluctuations during the late summer.

Trading results, which reflected stiff competition in baking and a mixed performance elsewhere, were largely as expected.

Analysts think it unlikely the company will renew its bid for S&W Berisford, UK sugar producer and commodities dealer, which it abandoned after the October 1987 stock market crash. Under takeover rules, it is free this week to launch a new offer, but Mr Garry Weston, chairman, made no reference to acquisition policy in his interim statement.

ABF's shares shed 6p to close at 319p yesterday.

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Banks to pay current account interest

By David Lascelles, Banking Editor, in London

NATIONAL Westminster and Barclays, the UK's two largest clearing banks, yesterday announced plans to pay interest on current accounts, following the lead set by Lloyds Bank two weeks ago.

The two banks said they would introduce interest-bearing current account "packages" early next year. These are expected to include free banking for accounts kept in credit, an overdraft facility, and use of debit or credit cards.

Mr Derek Wanless, head of personal banking at NatWest, said the account would be "competitive and attractive, and will offer value for money."

Mr Chris Lendrum, Barclays deputy director of UK retail services, said his bank's account would be similar to accounts offered by building societies but would give access to additional services "obtainable only from a bank."

"There are no half measures in our plans," he said. "We are intent on neutralising the building societies' advance into our territory."

Midland Bank is also considering a package of accounts but has made no formal announcements.

London backs share dealing clamp down

By Clive Wolman in London

LONDON'S Stock Exchange is considering wider sanctions against market-makers who seek to deal at more favourable prices than those they publicly display.

Mr Hugh Smith, new Stock Exchange chairman, announced the move yesterday following his formal election to the post. Mr Smith was elected without opposition.

He strongly defended the controversial draft rules published 12 days ago which will make it more difficult for private firms to compete against Saef, the Stock Exchange's automated share dealing service, when it starts in February.

The new rules, he said, are designed to stop share transactions being diverted to those market-makers which do not display the most favourable prices on their screens, but merely offer to match the best prices quoted by their rivals.

The two firms likely to be most damaged by the new rules are Barclays de Zoete Wedd and Kleinwort Benson.

Both already offer an automated share dealing service which allows smaller purchases and sales of shares to be transacted through computers without human intervention.

The present draft rule will prevent them from accepting orders for shares through their automated services unless they are quoting the best or equal the best prices for those shares on Seaq, the Stock Exchange price quotation service.

Mr Smith said the Stock Exchange UK Equity Market Committee was now considering extending the ban to deals in which orders from small investors are taken over the telephone.

The ban could not, however, be extended to larger share transactions with institutional investors where the price was subject to negotiation, he said.

He denied accusations that the new rules were designed to give Saef an unfair competitive advantage over the systems run by BZW and Kleinwort.

INTERNATIONAL COMPANIES AND FINANCE

Japanese fibre maker lifts pre-tax profits by 65.7%

By Gordon Cramb in Tokyo

TORAY INDUSTRIES, the Japanese market leader in synthetic fibres, drew benefit from sustained domestic demand in the first half to September and an expansion of its plastics and chemicals side, but bottom-line earnings were hit by a Y10bn write-off on a subsidiary's debt.

At the pre-tax level, profits jumped 65.7 per cent to Y26.9bn. Net earnings, however, were ahead by only 5.9 per cent at Y7.8bn. This reflected Toray's decision to clear its books of the remainder of a debt, originally some Y25bn, which was incurred 10 years ago by Ichimura Industry, an unlisted trading house offshoot, and was subsequently transferred elsewhere in the group.

Sales rose 3.5 per cent to Y280.4bn. Toray's textile exports continued to decline because of the strength of the yen, but this was offset by an 8.2 per cent growth in its increasingly important non-fibre operations. These now account for 42.5 per cent of the company's business and include the development of specialised engineering plastics, membranes and pharmaceuticals.

The company experienced greater domestic demand for its clothing and industrial fibres and for those for use in the Japan's booming construction sector. In August, Toray and Du Pont, the largest US chemicals manufacturer, together invested Y10bn to set up a Japanese plant for producing Kevlar, an aramid fibre used to reinforce tyres, hoses and belts.

For the full year to next March, Toray forecast pre-tax profits up 39.6 per cent to Y52bn and net earnings of Y20bn, a rise of 23.3 per cent. Sales are projected to grow 3.4 per cent to Y560bn.

Mitsubishi Rayon, another large maker of acrylics, lifted its pre-tax profits 5.8 per cent in the same period to Y4bn – an increase which it said stemmed mainly from the proceeds of a bond issue. Fibres suffered from low-cost imports but its resins business did well. Sales were up 3.9 per cent overall to Y98.3bn.

The company expects full-year profits up 3 per cent to Y9bn on turnover ahead by a similar margin to Y200bn.

Transport companies report solid growth

By Gordon Cramb in Tokyo

JAPAN'S TWO top transport companies yesterday reported a solid profit growth for the six months to September, a period during which the country's distribution services industry has been investing heavily in modernising its facilities.

Nippon Express boosted interim pre-tax profits by a third to Y11.8bn from Y8.8bn, as revenues rose 8.6 per cent to Y480.4bn.

For the full year, the company expects profits to reach Y2.5bn from the previous Y23.8bn, on sales ahead 7.5 per cent to Y993.9bn.

At Yamato Transport, which specialises in door-to-door parcel deliveries, in which it is the national market leader, profits were up 13.1 per cent to Y4.1bn before tax. Sales were 19.8 per cent higher at Y143.4bn. Yamato's full-year projection is for a 15.2 per cent profits rise to Y10.6bn, with sales 15.2 per cent higher at Y310bn.

The transport sector, seeking ways to expand in the face of pressure from customers to hold freight rates down, is rationalising warehouse operations and introducing new services such as value added networks (Vans). These networks, built on in-house data transfer systems, allow automatic settlement of transport fees, as well as offering manufacturers and distributors a direct consumer sales service.

In addition, Yamato this summer launched a refrigerated parcels service for perishables, investing an estimated Y15bn in equipment.

Interim dividends at the two companies are being maintained.

Nippon Express is paying Y2.50, from net earnings per share of Y4.18, compared with Y3.83, while Yamato is paying Y4.75 from earnings of Y9.19 against Y8.90.

Toyota affiliate performs well

By Gordon Cramb in Tokyo

TOYODA AUTOMATIC Loom Works, an affiliate of Toyota Motor and a leading producer of fork-lift trucks as well as textile and other industrial machinery, boosted pre-tax profits 21 per cent in the six months to September to reach Y10.4bn.

Sales rose by a similar 21.4 per cent to Y211.5bn, and at the operating level profits were ahead by nearly 48 per cent. The company said yesterday that financing costs had, however, increased, partly as a result of a convertible bond issue.

Toyoda was earlier this year the subject of a greenmail attempt, when a stake was accumulated by Nihon Land, an investment company which subsequently collapsed. The shares were bought back by the Toyota parent.

Last month the two group companies joined to invest $37m to build a fork-lift truck plant in the US.

Industrial vehicles were among Toyoda's strongest performers during the period, with sales up by more than a quarter.

The company has revised upwards its forecast for the full year, and now expects pre-tax profits to reach Y21bn, equal to a rise of 14.8 per cent, on sales 14.2 per cent higher at Y420bn.

Price cuts hit drug companies

By Gordon Cramb in Tokyo

PROFIT DOWNTURNS were announced yesterday by two Japanese pharmaceutical manufacturers, reflecting cuts in product prices imposed by the country's health authorities as well as greater competition from other companies diversifying into the industry.

Shionogi, a leading maker of antibiotics, showed a 7.3 per cent fall in pre-tax profits to Y14.6bn for the half-year to September. Sales were up by just under 1 per cent to Y105.8bn, buoyed by a Y4.3bn initial contribution from Flumarin, a new antibiotic which it hopes to license abroad. The drug is expected to represent more than 6 per cent of full-year sales. Pre-tax profits are forecast to emerge marginally higher at Y29.5bn for 1988-89.

Tanabe Saiyaku, an internationally active smaller producer, also expects to end the full year on an upward trend, projecting taxable earnings up 3.1 per cent to Y23bn after a 15.8 per cent first-half setback to Y12bn. Sales rose 4 per cent to Y97.6bn.

South African hotel chain returns to profit

By Jim Jones in Johannesburg

IMPROVED DOMESTIC business travel business and an increase in the number of foreign visitors have combined to restore Southern Sun, the South African hotel chain, to interim profits.

Mr Bruno Corte, the managing director, says room occupancy rates rose to 59 per cent in the six months to September 30, from 54 per cent in the corresponding period of 1987. He expects better occupancy rates during the second half, the summer holiday period.

First half turnover increased to R168m in the six months to September 30, 1988, from R136m in the corresponding period of 1987. The interim operating profit before rental, leasing and tax charges rose to R22.6m, from R18.6m, and the interim pre-tax profit was R86,000, against last year's interim R5.9m. Last financial year, turnover was R314m, operating profit was R58.3m and pre-tax profit was R6.1m.

The hotel industry as a whole recorded average room occupancy rates of 53 per cent during the first eight months of calendar 1988, up from 49 per cent in the first eight months of 1987.

Southern Sun's first half earnings were 2.3 cents a share, against last year's interim deficit of 5.4 cents. There is no interim dividend. The company is South African Breweries subsidiary.

China Light advances 9%

By Michael Marray in Hong Kong

CHINA LIGHT and Power, the Hong Kong utility in which the Kadoorie family is the leading shareholder, has reported net profits of HK$1.83bn (US$234.6m) for the year ended 30 September, an increase of 9.3 per cent over the previous year. The result was in line with expectations.

A final dividend of 27 cents per share has been declared, bringing total dividends for the year to 72 cents, compared with 60 cents last year. There will also be a bonus issue of one share for every five held.

China Light operates under a government-control scheme and has an exclusive franchise to supply electricity to Kowloon and the New Territories. It also sells electricity to customers across the border in China.

Hong Kong Nuclear Investment, the wholly owned subsidiary, has a 25 per cent stake in the Guangdong Nuclear Power joint venture company, currently building a nuclear power station at Daya Bay in Guangdong province. The plant will supply electricity to Hong Kong and China from 1993.

Nampak jumps to record

By Jim Jones in Johannesburg

NAMPAK, the South African packaging company which is part of the Barlow Rand group, raised turnover and profits to record levels in the financial year to September 30 but does not say if it expects buoyant trading to persist.

Industry analysts in Johannesburg say packaging companies have benefited from strong consumer demand but are likely to suffer as higher interest rates and tighter credit curbs restrict demand.

The year's turnover was R2.53bn ($1.03bn) against R2.07bn in the previous year. Operating profit before tax and interest was R310.9m against R242.2m and the pre-tax profit rose to R298.3m from R231.4m.

Earnings increased to 358 cents a share from 262 cents and the year's dividend has been lifted to 133 cents from 100 cents.

BTA in A$75m bid for Sherwin

By Our Financial Staff

THE BATTLE for control of Sherwin Pastoral, the Australian beef producer, took a new twist yesterday when Bankers Trust Australia, an investment bank owned by Bankers Trust of the US, said it would bid A$75m (US$62m) for the company.

Bankers Trust said in a statement that, acting as trustee of BTA No 3 Property Trust, it would pay A$1.05 for each Sherwin share.

The offer follows a proposed A$1.02-a-share bid announced last month by Mr Robert Holmes à Court, the Australian financier, and an 88 cents-a-share offer from Elders IXL, the Australian brewing, agribusiness, financial services and resources company.

Sherwin shares traded at A$1.04 on the Australian Stock Exchange yesterday.

Bankers Trust's bid is conditional on gaining 50.001 per cent acceptance and on the directors of Sherwin making a public statement to the effect that the number of branded cattle owned by Sherwin and its subsidiaries at the end of October was at least 320,000.

Mr Holmes à Court's bid also depends on Sherwin allowing an independent cattle count.

INTERNATIONAL CAPITAL MARKETS

Sydney futures exchange in landmark Chicago link

By Chris Sherwell in Sydney

THE SYDNEY futures exchange expects increased US trading in its contracts following a landmark decision by the Commodity Futures Trading Commission (CFTC), the US futures regulatory body.

The CFTC's ruling gives non-US members of the Sydney exchange permission to offer their products to the US public without the need for registration.

According to the exchange, the decision makes it the first in the world to gain full access to the US for the sale and marketing of its futures and options contracts. It follows similar approvals won by the exchange in the UK.

The Sydney exchange first petitioned the CFTC for such a decision in October 1987, three months after the agency introduced rules which required brokers marketing non-US futures and options to US residents to be registered with it.

Members of the Sydney exchange have now been granted an exemption allowing them to advertise and offer for sale any exchange product except those relating to the All-Ordinaries Index, the widely-watched Australian stock market indicator.

The conditions attached to the exemption are that the exchange members consent to jurisdiction under the US Commodity Exchange Act, agree to open books to the CFTC and US Justice Department, provide details of US subsidiaries and agree to US arbitration in disputes.

The Sydney exchange must also certify that a member is of good standing and it must undertake to monitor compliance with its regulations.

The CFTC gave interim approval for the sale of futures products in January, and made a final ruling concerning options in July. The final decision regarding futures contracts was announced over the weekend.

In terms of size, the Sydney Futures Exchange ranks far behind the US exchanges. But it is enjoying another record year in volumes and claims to be the leading futures and options exchange in the Asia-Pacific region.

Crédit Suisse chief backs stamp tax curbs

MR ROBERT A. JEKER, president of Crédit Suisse, the Swiss bank, has added his voice to demands for urgent reform of Swiss stamp duty, AP-DJ reports.

In a newspaper leading article, Mr Jeker calls on the Government to repeal the stamp tax in four areas: on trading positions of traders and dealers, on Eurobond issues, on money market paper, and on so-called foreign-foreign business.

He writes: "If no changes are made, then banks in Luxembourg and London (and to that belongs filials and sister companies of Swiss banks) and their coffers will profit. If changes are quickly made, then Switzerland as a financial centre will profit."

NYSE's London office to head European initiative

By Stephen Fidler, Euromarkets Correspondent

THE NEW YORK Stock Exchange formally opened yesterday its London office, which will spearhead efforts to encourage European companies to list on the exchange.

Competition is intensifying among US stock exchanges to win listings by foreign companies. Earlier this year, Nasdaq, the National Association of Securities Dealers' automated quotation system, was given permission to act as a recognised investment exchange in London, while the smaller American Stock Exchange has also moved its European office to London, from Amsterdam.

The opening of the London office, to be headed by Mr Edmund Lukas, comes as the outstanding shares listed on US exchanges shrink dramatically as the number and scale of leveraged takeovers and buy-outs grows. NYSE officials say that this retirement of publicly-quoted equity has been one factor in their decision to encourage non-US companies to list.

The NYSE, the largest exchange in the US, claims the highest turnover in non-US equities.

Turnover in foreign issues, mostly American depositary receipts, totalled \$75.4bn last year, compared with \$27.3bn for Nasdaq.

The NYSE has also recently agreed to list ADRs in French government bonds, known as OATs, the first such listing in the US.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅝	95⅛	-0⅜	-0½	9.36
Amer. Brands 8⅞ 92	150	†95¾	96¼	-0⅜	-1½	10.19
A/S Eksportfinans 7⅝ 93	100	†94	94½	-0⅜	-0⅞	9.08
A/S Eksportfinans 7¼ 92	150	94½	95⅛	-0⅝	-0⅞	9.19
Barc. Bk. Fin. 10¼ 89	200	†100⅜	100⅞	-0⅛	-1½	9.58
B.F.C.E. 7 92	150	†93½	94	-0½	-0⅞	9.20
British Telecom 7⅝ 96	250	91⅛	91⅝	-0½	-0½	9.20
Cal. Natl. Telecom 8½ 93	160	†96½	97	-0⅛	-1	9.43
Canada 9 96	1000	99⅜	99⅞	-0½	-0⅝	9.06
Canadian Pac 10¾ 93	100	†103	104	0	0	9.74
C.C.C.E 7⅛ 91	113	†94¾	95¼	-0⅜	-1¼	9.12
C.C.C.E 9¼ 95	300	99½	100⅛	-0½	-0⅞	9.28
C.N.C.A 9⅜ 93	150	100⅛	100⅝	-0½	-0⅝	6.28
Credit Lyonnais 9 91	200	99½	100⅛	-0⅝	-0⅞	9.08
Credit National 8¼ 93	200	96⅝	97⅛	-0⅝	-0⅞	9.11
Credit National 7⅞ 92	100	94⅝	95⅛	-0½	-0¾	9.14
Credit National 7¼ 91	150	94⅞	95⅜	-0½	-0⅞	9.11
Dai-Ichi Kan 9⅝ 92	150	101	101⅜	-0⅝	-0⅛	9.25
Denmark 7⅛ 92	500	94	94⅜	-0⅝	-0⅞	9.23
E.E.C. 7 91	100	94⅝	95⅛	-0½	-0⅝	8.97
E.E.C. 7¼ 93	250	93⅜	93¾	-0⅜	-0⅝	9.12
E.E.C. 8 90	350	98½	99	-0⅛	-0⅛	8.77
E.I.B. 7⅝ 93	100	94⅛	94½	-0⅝	-1¼	9.07
E.I.B. 9⅜ 97	150	†100	100½	-0½	-0⅜	9.32
Elec. De France 9 98	200	†97¾	98¼	-0¼	-0⅜	9.31
Finland 7⅞ 97	200	†91½	92	-0¼	-0⅞	9.34
Finland 7½ 93	200	93¾	94¼	-0⅝	-0⅝	9.07
Finn. Exp. Cd. 8½ 92	200	97⅞	98⅜	-0½	-0⅝	9.14
Ford Motor Credit 8 91	250	†96⅞	97⅜	-0½	-0⅜	9.37
Gen Elec Credit 10¼ 90	200	†100¼	100¾	+0⅛	0	10.16
G.M.A.C. 8 89	250	†97⅛	97⅜	-1⅛	-2⅛	0.12
Gen. Mtrs. Corp. 9⅞ 92	200	†99⅛	99⅞	-0½	-0⅞	9.26
Halifax BS 9½ 93	200	†100¼	100⅝	-0⅜	-0⅝	9.33
IBM Credit Corp. 8⅞ 91	250	99⅛	99⅝	—	—	9.12
Italy 9 90	1000	†99⅞	100⅜	-0⅝	-1¼	8.90
L.T.C.B of Japan 8 91	100	97	97½	-0½	-0⅞	9.14
L.T.C.B. of Japan 8 97	200	†91¼	91¾	-0⅝	-0⅝	9.53
Mercds-Benz Cd. 8½ 95	100	†95¾	96¼	-0⅜	-1½	9.35
Metropolis Tokyo 9½ 93	200	101⅝	102⅛	-0⅝	-0⅝	8.92
Morgan Guaranty Tst. 7 90	150	†96⅝	97⅛	-0½	-0⅞	9.42
Norway 8¾ 93	500	98⅞	99⅜	-0⅝	-0⅞	8.98
Pepsico Inc 7⅜ 93	200	*93⅜	93⅞	0	-0⅛	9.10
Portugal 8¼ 91	300	97⅜	97⅞	-0⅜	-1	9.37
Prudential Crp. 8⅞ 94	125	†98½	99	-0⅜	-1¼	9.02
Qantas Airways 10⅝ 95	140	104⅛	104⅝	-0⅝	-1¼	9.44
Saskatchewan 10¾ 92	100	†103⅞	104⅜	-0⅛	-0⅜	9.21
State Bk S Aust 9¼ 93	100	99⅝	100⅛	-0⅜	-0⅝	9.26
Swed Exp Cred 7¼ 91	100	†94⅞	95⅜	-0⅜	-0⅛	9.11
Swed Exp Cred 10 92	100	†101¾	102¼	-0⅜	-1⅛	9.28
Sweden 7 91	250	95	95½	-0⅜	-0⅝	8.91
Sweden 7 92	250	†94⅛	94⅝	-0⅜	-0⅞	9.04
Sweden 8¼ 96	200	97¼	97¾	-0½	-0⅞	9.21
Sweden 8½ 92	200	†98¾	99¼	-0⅜	-0⅛	8.80
Victorian Rep 11⅝ 92	150	106½	107	-0⅝	-0¼	9.22
World Bank 7 92	300	†94⅜	94⅞	-0⅜	-0⅝	8.97
World Bank 9 97	300	†98¾	99¼	-0⅜	-0¼	9.16
Yasuda Trust Fin 8½ 93	100	96⅝	97⅛	-0½	-1	9.34

Average price change... On day -0½ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	102⅜	102⅝	-0⅛	-0⅛	4.69
Belgium 4⅝ 94	45	98¼	98⅝	-0⅛	+0⅛	4.93
Canada 4⅝ 92	80	99	99¼	-0⅛	-0⅛	4.63
Elec. De France 5⅛ 94	20	100⅞	101⅜	-0¼	-0⅛	4.88
Ireland 5⅛ 93	30	100⅛	100⅝	0	0	5.02
Norway 5⅛ 95	50	100¼	101	-0⅛	0	4.96
Rep. of Italy 5¾ 92	150	103¼	103½	-0¼	-0⅛	4.61
Sweden 4⅝ 93	50	99⅝	100⅛	+0¼	+0¼	4.65
World Bank 5½ 92	50	103⅛	103⅜	-0⅛	-0⅛	4.56

Average price change... On day -0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	98⅝	99⅛	-0¼	-0¾	10.56
Alg. Bk. Ned. 5½ 92 FL	150	98⅝	99	+0⅛	0	5.96
Alg. Bk. Ned. 5⅝ 93 FL	200	98⅝	99⅛	0	0	6.04
Amro Bank 6¼ 92 FL	150	100¾	101⅛	0	0	5.94
Aust. Ind. Dev. 12⅞ 93 A$	100	99⅛	99½	-0⅛	-0⅛	13.05
Barc. Bk. 10¼ 97 £	250	97¼	97⅝	-0⅜	-0⅜	10.68
BP Capital 9⅝ 93 £	100	96⅝	97⅛	-0⅜	-0¾	10.64
British Airways 10 98 £	100	95¼	95¾	-0¼	-0⅞	10.77
Buhrmann-Tet. 6⅜ 93 FL	100	100⅝	101⅛	0	+0⅛	6.14
C.I.B.C. Mort. 10¼ 93 C$	100	†100	100½	-0½	-0¼	10.64
Comm. Bk. Aust. 12⅝ 93 A$	100	97⅛	97⅝	+0⅛	+0¼	13.39
Coop. Ctr. Rabo. 6¼ 93 FL	100	101	101½	0	0	5.90
Coop. Ctr. Rabo. 6 92 FL	200	100⅝	101⅛	0	+0⅛	5.72
Denmark 7¾ 92 ECU	100	†103⅜	103⅞	0	+0⅛	6.45
Dixons 11 95 £	90	†98¼	98¾	-0⅜	-1	11.48
Deut. Bk. Aust. 12⅞ 95 A$	70	100⅛	100⅝	0	0	12.62
Eastman Kodak 13 90 A$	100	97⅜	97¾	0	-0⅛	14.59
E.I.B. 7 96 LFr	100	*†98¼	98¼	0	0	7.31
Elec. France 10¼ 95 C$	125	†99⅞	100⅜	-0½	-0¾	10.20
Euratom 7⅜ 97 ECU	145	97	97½	-0¼	-0⅜	7.82
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†98¼	98¾	-0½	-0¾	10.23
Ford Cr. Can. 10¾ 93 C$	100	†100¾	101¼	-0½	-0¾	10.42
Gillette Can. 9⅝ 93 £	70	94¼	94¾	-0⅛	-0⅜	11.17
G.M.A.C. 9¾ 93 C$	150	†97½	98	-0½	-0¾	10.37
G.M.A.C. 9¼ 92 C$	75	†95½	96½	0	0	10.63
G.M.A.C Aus. Fin. 14 90 A$	50	99⅞	100⅜	-0⅛	0	13.78
Halifax BS 10⅞ 97 £	100	98	98⅜	0	-0¼	10.70
Imp Chem Inds 10 03 £	100	96	96⅜	-0¼	-0⅞	10.52
Inv. Industry Int. 10 93 £	60	96½	97⅛	-0¼	-0¼	10.93
Lloyds Bank 10¼ 98 £	150	95¼	95¾	-0⅜	-1	11.02
Montreal Tst. 10¼ 93 C$	100	†100¼	100¾	-0½	-0¾	10.57
Nat. West. Bk. 13⅛ 92 A$	50	†99⅝	100⅛	-0½	-0⅛	13.16
Nationwide BS 10⅛ 93 £	75	96½	97⅛	-0⅜	-1	11.06
Ned. Midd. Bank 6 92 FL	150	100	100½	-0⅛	+0⅛	5.90
New Zealand 9½ 93 £	100	95¼	95⅝	-0⅜	-0⅞	10.82
New Zealand 7¾ 93 ECU	200	100½	101⅛	-0¼	-0⅛	7.52
Oesters. Ktbk. 13⅝ 94 A$	75	101⅝	102⅛	0	-0¼	13.11
Philips Gloeil. 6 93 FL	300	100½	101	0	0	5.81
Prudential Fin. 9⅜ 07 £	150	90⅝	91	-0⅜	-1⅛	10.53
Royal Bk. Scot. 10⅝ 98 £	125	97⅛	97⅝	-0¼	-1	11.12
Saskatchewan 9⅞ 91 C$	150	†98¾	99¼	-0½	-0¾	10.27
S.D.R. 7¾ 95 ECU	90	†99¾	100¼	-0½	-0⅜	7.74
World Bank 5⅜ 92 FL	100	99½	100⅛	0	0	5.82
World Bank 13⅛ 92 A$	100	†100¼	100⅝	0	-0⅛	13.13
Zentrspk. 13¼ 93 A$	75	98½	99	0	0	13.59

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅜	102	0	-0¼	5.65
Avis Fin. SVS 5⅞ 92	100	100¾	101¼	0	0	5.53
Bank of Tokyo 5¾ 93	100	101	101½	-0¼	0	5.41
Central BK. Turkey 7 92	200	104¼	104¾	+0¼	+0½	5.68
Commerzbank o/s. 5⅜ 93	300	100¼	100¾	-0⅛	+0¼	5.23
Degussa Int. 6⅛ 97	200	101⅛	101⅞	+0½	+1⅜	5.89
E.I.B 5½ 98	150	95⅞	96⅝	-0⅛	-0½	6.03
E.I.B 6 97	300	99⅛	99⅞	-0	0	6.07
E.I.B. 6⅛ 96	300	100⅜	101	-0⅛	+0¼	5.99
E.I.B. 6¼ 97	400	99¾	100⅜	-0⅛	-0⅜	6.10
E.I.B. 6⅞ 95	300	104¾	105⅜	-0¼	-0⅜	5.96
Euro. Coal & Steel 5⅞ 97	175	98⅜	99⅛	-0⅛	0	6.07
Eurofima 6¼ 96	100	100⅞	101½	-0⅛	-0⅝	6.05
Elec De France 5⅞ 97	300	98⅜	99	0	0	5.93
Forsmark Krtg. 5⅛ 93	200	98⅛	98⅞	0	-0⅛	5.52
I.A.D.B. 6 97	200	99⅛	99¾	-0⅛	-0⅞	6.09
Japan Dev. Bk. 5⅜ 95	300	97⅞	98⅝	0	0	5.70
Japan Finance 5⅝ 97	100	97⅛	97⅞	-0⅛	0	6.14
Ireland 6½ 97	300	101	101½	0	0	6.30
Korea Dev BK 6⅝ 93	100	101⅞	102⅝	+0½	-0½	6.03
Malaysia 6¼ 94	150	99⅝	100¼	-0⅜	0	6.29
Nat. West. BK. PLC 6 98	300	97⅞	98⅝	0	0	6.24
Nippon Telg. & Tel. 6 95	400	101	101½	0	0	6.01
Oesters. Kontbk. 5 93	300	98⅛	99⅛	-0¼	-0⅜	5.30
Portugal 5¾ 92	150	100¾	101⅛	-0¼	+0⅜	5.44
Portugal 6⅝ 95	150	102⅞	103⅛	0	-0¼	6.11
Privatbanken 5¼ 93	150	98⅜	99⅛	+0¼	0	5.58
Royal Insurance 5½ 92	300	100¾	101⅜	-0⅛	-0¼	5.16
Soc Cent Nuclear 7¼ 95	150	103⅝	104¼	0	0	6.50
Turkey 6½ 95	500	97½	98	0	0	6.93
Westlb. Finance 5 93	200	†99	99⅛	0	+0¼	5.22
World BK. 6¼ 97	600	100½	101⅛	-0¼	-0⅜	6.05

Average price change... On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†101½	102	-0⅛	+0¼	4.72
Asfinag 5 03	100	†100½	101	0	-0⅝	4.93
B.F.C.E. 4½ 98	200	†99	99¼	0	0	4.61
B.M.W. Fin. Neth. 5 13	150	†96¼	97	-0⅛	+0⅛	5.23
Britannia B/S. 4¼ 94	100	†97½	98¼	-0¼	+0⅛	4.69
CIR. Int. W/W 3 93	125	†102½	103½	+0½	+1⅛	2.32
Credit Lyonnais 4¾ 00	100	†98	98¾	0	+0¾	4.96
E.I.B 4⅝ 98	150	†99½	99⅞	0	+0⅛	4.67
Fletcher Chall. 4⅞ 98	150	†96½	97¼	+0⅛	-0⅜	5.30
Kobe City 4⅝ 98	150	†99	99½	-0⅛	-0⅛	4.72
Leeds Perm. B/S. 4⅛ 93	200	†98	98½	0	+0⅛	4.56
Malaysia 5¼ 98	100	†98	98½	0	-0¼	5.48
Maxwell Comm. Crp. 5 95	150	†99½	100	-1	-1⅝	5.04
Nationwide Ang. B/S. 4 93	200	†97	97½	0	0	4.67
Nippon Telg. & Tel. 4¼ 95	200	†98¾	99	0	+0¼	4.44
Oesters. Ktbk. 5 03	75	†100	101	-0⅛	+0¼	4.95
Rep. National Bk. 4 93	150	†97	97½	-0⅛	0	4.31
Thailand 4⅝ 95	200	†96¼	96½	0	0	5.28
World Bank 5 03	150	†100½	100¾	0	+0½	4.94

Average price change... On day -0⅛ on week +0

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.74	99.79	21/01	10.99
Belgium 91 US	0	100.42	100.52	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Crp. 91 US	0¼	99.60	99.78	22/02	8.94
Citicorp 98 US	†0¼	97.60	97.85	30/11	8.94
Credit Foncier 98 US	.063	99.97	100.07	20/10	5⅛
EEC 3 92 DM	10	101.18	101.28	22/02	5.63
Halifax BS 94 £	.1	99.95	100.00	9/11	11.16
Invt. in Industry 94 £	0	100.07	100.17	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	13/01	10.44
Midland Bank 01 £	.1	96.00	97.00	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.87	99.93	30/12	12.06
New Zealand 5 97 £	.07	100.17	100.27	18/11	11.62
New Zealand 5 01 US	0	99.91	100.01	4/02	8.62
State Bk. Nsw. 98 US	.188	100.48	100.56	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.91	99.96	13/01	12.12
Woolwich 5 95 £	0⅛	99.87	99.93	21/11	11.62

Average price change... On day -0.02 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	†8/87	62.	104¾	105¾	-0⅛	20.29
Alco Health 6¼ 01 US	†7/86	26.25	92	94	-1	1.72
Amer. Brands 7¾ 02 US	9/87	56.7	105⅝	106⅝	-0⅛	9.90
Ashikaga Bank 2⅛ 02 US	4/87	967.	140	141¾	+1	6.90
Asics 5 92 DM	12/83	472.7	189½	190¾	+2¼	6.26
CBS. Inc. 5 02 US	4/87	200.	95⅝	96⅝	0	7.85
Fujitsu 3 99 US	5/84	1106.	224½	225½	-3⅛	-1.09
Land Secs. 6¾ 02 £	6/87	6.72	98	99	-0⅛	12.76
MCA INC 5½ 02 US	9/87	69.62	82	83	-1⅛	21.88
Minolta Camera 2¼ 94 DM	2/86	1004.	96½	97¾	-0⅜	28.69
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	118	119⅝	-0⅛	4.05
Mitsui trust 2⅝ 01 US	10/86	1903.	133⅞	135⅛	-0⅜	5.71
Next PLC 5¾ 03 £	11/87	4.3	100	101	-0⅜	163.51
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	110⅜	111¾	+0⅛	12.97
Omron Tateisi 2⅝ 02 US	4/87	1310.	171⅝	172⅝	-1	-2.56
Primerica 5½ 02 US	4/87	66.75	65½	66½	-0⅛	51.91
Ranks Hovis 4¾ 03 £	†1/88	3.5	115	116	-0¼	3.13
Redland 7¾ 02 £	1/87	5.4	92½	93½	-0⅜	16.25
Saatchi & Stchl. 6¾ 03 £	†8/89	4.41	99⅛	100⅛	-0¼	26.36
Texas Inst. 2¾ 02 US	9/87	82.87	73⅛	74⅛	+0⅛	61.63
W.R. Grace 6¼ 02 US	9/87	42.12	84	85	-0½	32.42

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Flemming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday November 7,1988 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	55.8997	31.3338	44.8081
Albania	(Lek)	10.0630	5.6676	3.1769	4.5431
Algeria	(Dinar)	11.3907	6.4154	3.5961	5.1425
Andorra	(Fr Fr)	10.8050	6.0856	3.4112	4.8781
	(Sp Peseta)	208.50	117.4317	65.8247	94.1309
Angola	(Kwanza)	53.0170	29.8603	16.7378	23.9354
Antigua	(E Carr $)	4.78	2.6921	1.5090	2.1580
Argentina	(Austral)	22.1808	12.4927	7.0026	10.0139
Aruba	(Florin)	3.1710	1.7859	1.0011	1.4316
Australia	(Aus $)	2.1380	1.2041	0.6749	0.9652
Austria	(Schilling)	22.285	12.5513	7.0355	10.0609
Azores	(Port Escudo)	262.50	147.8456	82.8729	118.5101
Bahamas	(Bahama $)	1.7755	1	0.5605	0.8015
Bahrain	(Dinar)	0.6669	0.3756	0.2105	0.3010
Balearic Is	(Sp Peseta)	208.50	117.4317	65.8247	94.1309
Bangladesh	(Taka)	55.20	31.0898	17.4269	24.9209
Barbados	(Barb $)	3.5630	2.0067	1.1248	1.6085
Belgium	(Belg Fr)	66.30c	37.3415	20.9313	29.9322
		66.95g	37.7076	21.1365	30.2257
Belize	(B $)	3.5490	1.9954	1.1185	1.5995
Benin	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Bermuda	(Bermudian $)	1.7755	1	0.5605	0.8015
Bhutan	(Ngultrum)	26.30	14.8127	8.3030	11.8735
Bolivia	(Boliviano)	4.5528	2.5642	1.4373	2.0554
Botswana	(Pula)	3.4950	1.9684	1.1033	1.5778
Brazil	(Cruzado)	858.325	483.4272	270.9786	387.5056
British Virgin Is	(US $)	1.7755	1	0.5605	0.8015
Brunei	(Brunei $)	3.5023	1.9725	1.1056	1.5811
Bulgaria	(Lev)	1.4461	0.8144	0.4565	0.6528
Burkino Faso	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Burma	(Kyat)	11.2754	6.3505	3.5597	5.0904
Burundi	(Burundi Fr)	264.5000	148.9721	83.5043	119.4130
Cameroon	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Canada	(Canadian $)	2.1965	1.2371	0.6934	0.9916
Canary Is	(Sp Peseta)	208.50	117.4317	65.8247	94.1309
Cp. Verde Is	(CV Escudo)	129.5587	72.9702	40.9025	58.4915
Cayman Is	(CI $)	1.4703	0.8281	0.4641	0.6637
Cent. Afr. Rep	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Chad	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Chile	(Chilean Peso)	440.71	248.2174	139.1349	198.9661
China	(Renminbi Yuan)	6.6309	3.7346	2.0934	2.9936
Colombia	(Col Peso)	578.41	325.7730	182.6077	261.1331
Comoro Is	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Congo (Brazz)	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Costa Rica	(Colon)	139.0628	78.3231	43.9030	62.7823
Cuba	(Cuban Peso)	1.3492	0.7598	0.4259	0.6091
Cyprus	(Cyprus £)	0.8280	0.4663	0.2614	0.3738
Czechoslovakia	(Koruna)	9.50c	5.3506	2.9992	4.2889
		16.54l	9.3156	5.2217	7.4672
		15.93t	8.9721	5.0292	7.1918
Denmark	(Danish Kroner)	12.2025	6.8727	3.8524	5.5090
Djibouti Rep	(Djib Fr)	313.43	176.5305	98.9518	141.5033
Dominica	(E Carrib $)	4.78	2.6921	1.5090	2.1580
Dominican Rep	(D Peso)	11.2490	6.3356	3.5513	5.0785
Ecuador	(Sucre)	696.08o	392.0473	219.7569	314.2573
		857.73a	483.0920	270.7908	387.2370
Egypt	(Egyptian £)	4.1170	2.3187	1.2997	1.8586
El Salvador	(Colon)	8.8700	4.9957	2.8003	4.0045
Equat'l Guinea	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Ethiopia	(Ethiopian Birr)	3.6473	2.0542	1.1514	1.6466
Falkland Is	(Falk £)	1.00	0.5632	0.3157	0.4514
Faroe Is	(Danish Kroner)	12.2025	6.8727	3.8524	5.5090
Fiji Is	(Fiji $)	2.5067	1.4118	0.7913	1.1316
Finland	(Markka)	7.4728	4.2088	2.3592	3.3737
France	(Fr)	10.8050	6.0856	3.4112	4.8781
Fr. Cty/Africa	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Fr. Guiana	(Local Fr)	10.8050	6.0856	3.4112	4.8781
Fr. Pacific Is	(CFP Fr)	195.45	110.0816	61.7048	88.2392
Gabon	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Gambia	(Dalasi)	12.5954	7.0940	3.9764	5.6864
Germany East	(Ostmark)	3.1675	1.7840	1	1.4300
Germany West	(D Mark)	3.1675	1.7840	1	1.4300
Ghana	(Cedi)	406.64	229.0284	128.3788	183.5846
Gibraltar	(Gib £)	1.00	0.5632	0.3157	0.4514
Greece	(Drachma)	260.275	146.5925	82.1704	117.5056

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	12.2025	6.8727	3.8524	5.5090
Grenada	(E Carr $)	4.78	2.6921	1.5090	2.1580
Guadaloupe	(Local Fr)	10.8050	6.0856	3.4112	4.8781
Guam	(US $)	1.7755	1	0.5605	0.8015
Guatemala	(Quetzal)	1.7755	1	0.5605	0.8015
		4.8962	2.7576	1.5457	2.2104
Guinea	(Fr)	531.450	299.3241	167.7821	239.9322
Guinea-Bissau	(Peso)	1151.4750	648.5356	363.5280	519.8532
Guyana	(Guyanese $)	15.8750	8.9411	5.0118	7.1670
Haiti	(Goude)	8.8575	4.9887	2.7963	3.9988
Honduras	(Lempira)	3.5480	1.9983	1.1201	1.6018
Hong Kong	(HK $)	13.8508	7.8010	4.3727	6.2531
Hungary	(Forint)	93.4095	52.6102	29.4899	42.1713
Iceland	(Icelandic Krona)	82.23	46.3137	25.9605	37.1241
India	(Indian Rupee)	26.30	14.8127	8.3030	11.8735
Indonesia	(Rupiah)	3033.09	1708.3018	957.5659	1369.3408
Iran	(Rial)	122.00	68.7130	38.5161	55.0790
Iraq	(Iraqi Dinar)	0.5487	0.3090	0.1732	0.2477
Irish Rep	(Punt)	1.1835	0.6665	0.3736	0.5343
Israel	(Shekel)	2.8400	1.5995	0.8966	1.2821
Italy	(Lira)	2353.00	1325.2604	742.8571	1062.3024
Ivory Coast	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Jamaica	(Jamaican $)	9.5200	5.3618	3.0055	4.2979
Japan	(Yen)	221.50	124.7535	69.9289	100
Jordan	(Jordanian Dinar)	0.7963	0.4484	0.2513	0.3595
Kampuchea	(Riel)	177.55	100	56.0536	80.1580
Kenya	(Kenya Shilling)	32.00	18.0230	10.1026	14.4469
Kiribati	(Australian $)	2.1380	1.2041	0.6749	0.9652
Korea North	(Won)	1.7184	0.9678	0.5425	0.7758
Korea South	(Won)	1230.75	693.1850	388.5556	555.6433
Kuwait	(Kuwaiti Dinar)	0.4974	0.2801	0.1570	0.2245
Laos	(New Kip)	620.0250	349.2114	195.7458	279.9209
Lebanon	(Lebanese £)	929.93	523.7566	293.5848	419.8329
Lesotho	(Maluti)	4.3480	2.4488	1.3726	1.9629
Liberia	(Liberian $)	1.7755	1	0.5605	0.8015
Libya	(Libyan Dinar)	0.5066	0.2853	0.1599	0.2287
Liechenstein	(Swiss Fr)	2.6525	1.4939	0.8374	1.1975
Luxembourg	(Lux Fr)	66.30	37.3415	20.9313	29.9322
Macao	(Pataca)	14.2528	8.0274	4.4997	6.4346
Madeira	(Port Escudo)	262.50	147.8456	82.8729	118.5101
Malagasy Rep	(MG Fr)	2134.77	1202.3486	673.9605	963.7787
Malawi	(Kwacha)	4.5825	2.5809	1.4467	2.0688
Malaysia	(Ringgit)	4.7613	2.6816	1.5031	2.1495
Maldive Is	(Rufiya)	15.5892	8.7801	4.9216	7.0380
Mali Rep	*(CFA Fr)*	*540.25*	*304.2804*	*170.5603*	*243.9051*
Malta	(Maltese £)	0.5895	0.3320	0.1861	0.2661
Martinique	(Local Fr)	10.8050	6.0856	3.4112	4.8781
Mauritania	(Ouguiya)	139.8776	78.7820	44.1602	63.1501
Mauritius	(Maur Rupee)	24.10	13.5736	7.6085	10.8803
Mexico	(Mexican Peso)	4054.85a	2283.7792	1280.1420	1830.6320
		3998.28d	2251.9177	1262.2825	1805.0925
Miquelon	(Local Fr)	10.8050	6.0856	3.4112	4.8781
Monaco	(French Fr)	10.8050	6.0856	3.4112	4.8781
Mongolia	(Tugrik)	5.9443	3.3479	1.8766	2.6836
Montserrat	(E Carr $)	4.78	2.6921	1.5090	2.1580
Morocco	(Dirham)	14.44	8.1329	4.5588	6.5191
Mozambique	(Metical)	1109.3133	624.7892	350.2173	500.8186
Namibia	(S A Rand)	4.3480	2.4488	1.3726	1.9629
Nauru Is	(Australian $)	2.1380	1.2041	0.6749	0.9652
Nepal	(Nepalese Rupee)	42.5160	23.9459	13.4225	19.1945
Netherlands	(Guilder)	3.5725	2.0121	1.1278	1.6128
N'nd Antilles	(A/Guilder)	3.1710	1.7859	1.0011	1.4316
New Zealand	(NZ $)	2.8450	1.6023	0.8981	1.2844
Nicaragua	(Cordoba)	567.68	319.7296	179.2202	256.2889
Niger Rep	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Nigeria	(Naira)	8.4217	4.7432	2.6587	3.8021
Norway	(Nor. Krone)	11.7950	6.6431	3.7237	5.3250
Oman	(Rial Omani)	0.6805	0.3832	0.2148	0.3072
Pakistan	(Pak. Rupee)	32.40	18.2483	10.2288	14.6275
Panama	(Balboa)	1.7755	1	0.5605	0.8015
Papua New Guinea	(Kina)	1.4978	0.8435	0.4728	0.6762
Paraguay	(Guarani)	567.68o	319.7296	179.2202	256.2889
		1749.16a	985.1647	552.2209	789.6884

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Inti)	58.54o	32.9709	18.4814	26.4288
		899.21a	506.4545	283.8863	405.9638
Philippines	(Peso)	36.30	20.4449	11.4601	16.3882
Pitcairn Is	(£ Sterling)	1.00	0.5632	0.3157	0.4514
	(NZ $)	2.8450	1.6023	0.8981	1.2844
Poland	(Zloty)	846.44	476.7333	267.2265	382.1399
Portugal	(Escudo)	262.50	147.8456	82.8729	118.5101
Puerto Rico	(US $)	1.7755	1	0.5605	0.8015
Qatar	(Riyal)	6.4355	3.6246	2.0317	2.9054
Reunion Is. de la	(F/Fr)	10.8050	6.0856	3.4112	4.8781
Romania	(Leu)	14.781	8.3244	4.6661	6.6726
Rwanda	(Fr)	135.41	76.2658	42.7498	61.1331
St Christopher	(E Carr $)	4.78	2.6921	1.5090	2.1580
St Helena	(£)	1.00	0.5632	0.3157	0.4514
St Lucia	(E Carr $)	4.78	2.6921	1.5090	2.1580
St Pierre	(French Fr)	10.8050	6.0856	3.4112	4.8781
St Vincent	(E Carr $)	4.78	2.6921	1.5090	2.1580
San Marino	(Italian Lira)	2353.00	1325.2604	742.8571	1062.3024
Sao Tome	(Dobra)	131.9456	74.3146	41.6560	59.5691
Saudi Arabia	(Riyal)	6.6488	3.7447	2.0990	3.0017
Senegal	*(CFA Fr)*	*540.25*	*304.2804*	*170.5603*	*243.9051*
Seychelles	(Rupee)	9.3400	5.2604	2.9486	4.2167
Sierra Leone	(Leone)	64.40	36.2714	20.3314	29.0744
Singapore	($)	3.5023	1.9725	1.1056	1.5811
Solomon Is	($)	3.7534	2.1139	1.1849	1.6945
Somali Rep	(Shilling)	432.2460	243.4502	136.4628	195.1449
South Africa	(Rand)	4.3480c	2.4488	1.3726	1.9629
		7.1643q	4.0350	2.2619	3.2344
Spain	(Peseta)	208.50	117.4317	65.8247	94.1309
Spanish Ports in N Africa	(Sp Peseta)	208.50	117.4317	65.8247	94.1309
Sri Lanka	(Rupee)	57.50	32.3852	18.1531	25.9593
Sudan Rep	(£)	7.9718	4.4898	2.5167	3.5990
Surinam	(Guilder)	3.1621	1.7809	0.9982	1.4275
Swaziland	(Lilangeni)	4.3480	2.4488	1.3726	1.9629
Sweden	(Krona)	10.9775	6.1827	3.4656	4.9559
Switzerland	(Fr)	2.6525	1.4939	0.8374	1.1975
Syria	(£)	37.2015	20.9526	11.7447	16.7952
Taiwan	($)	49.55	27.9076	15.6432	22.3702
Tanzania	(Shilling)	211.00	118.8397	66.6140	95.2595
Thailand	(Baht)	44.00	24.7817	13.8910	19.8645
Togo Rep	(CFA Fr)	540.25	304.2804	170.5603	243.9051
Tonga Is	(Pa Anga)	2.1380	1.2041	0.6749	0.9652
Trinidad/Tobago	($)	7.5289	4.2404	2.3769	3.3990
Tunisia	(Dinar)	1.5772	0.8883	0.4979	0.7120
Turkey	*(Lira)*	*3013.39*	*1697.2064*	*951.3464*	*1360.4469*
Turks & Caicos	(US $)	1.7755	1	0.5605	0.8015
Tuvalu	(Australian $)	2.1380	1.2041	0.6749	0.9652
Uganda	(New Shilling)	265.0504	149.2821	83.6781	119.6615
U A E	(Dirham)	6.5110	3.6671	2.0555	2.9395
United Kingdom	(£)	1.00	0.5632	0.3157	0.4514
United States	(US $)	1.7755	1	0.5605	0.8015
Uruguay	(Peso)	738.87	416.1475	233.2659	333.5756
USSR	(Rouble)	1.0812	0.6089	0.3413	0.4881
Vanuatu	(Vatu)	179.50	101.0982	56.6692	81.0383
Vatican	(Lira)	2353.00	1325.2604	742.8571	1062.3024
Venezuela	(Bolivar)	25.6868e	14.4673	8.1094	11.5967
		13.2863p	7.4831	4.1945	5.9983
		63.4205l	35.7197	20.0222	28.6322
Vietnam	(Dong)	651.9120	367.1709	205.8127	294.3169
Virgin Is-British	(US $)	1.7755	1	0.5605	0.8015
Virgin Is-US	(US $)	1.7755	1	0.5605	0.8015
Western Samoa	(Tala)	3.7720	2.1244	1.1908	1.7029
Yemen	(Rial)	17.5550	9.8873	5.5422	7.9255
Yemen PDR	(Dinar)	0.6076	0.3422	0.1918	0.2743
Yugoslavia	(Dinar)	6717.86	3783.6440	2120.8713	3032.8939
Zaire Rep	(Zaire)	403.33	227.1641	127.3338	182.0902
Zambia	(Kwacha)	13.70	7.7161	4.3251	6.1851
Zimbabwe	($)	3.3775	1.9022	1.0662	1.5248

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday 7 November,1988

INTERNATIONAL CAPITAL MARKETS

Canadian issues fall headlong following opinion poll

By Norma Cohen in London and Janet Bush in New York

CANADIAN government bond prices shed up to two points in active trading following publication of the latest Gallup poll showing the opposition Liberal Party, which has vowed to veto the US-Canada free trade agreement, leading the ruling Conservatives by about 12 percentage points.

The survey, two weeks ahead of a national election, prompted a drop in the currency so steep that the Bank of Canada and the Bank of England were seen intervening to support the Canadian dollar. The currency bottomed at 80.87 US cents.

GOVERNMENT BONDS

The movement in bond prices was particularly dramatic among longer maturities. For instance, the 10 per cent bonds due 2008 closed at 99 bid, down from Friday's closing bid of 101. Bond prices had been slipping all last week, along with the currency, as Canadian news organisations released opinion polls showing the Liberal Party gaining ground.

But yesterday's release of the prestigious Gallup poll's findings threw increasing doubt on the eventual passage of the free trade agreement, which has been responsible for much of the currency and bond market's recent strength.

[redacted]

US TREASURY bonds declined again yesterday in a continuing reaction to last Friday's stronger than expected employment figures, pre-election nervousness, a vulnerable dollar and a firm Fed funds rate.

At midsession, bond prices were quoted about ½ point lower at the long end of the yield curve. The yield on the Treasury's benchmark 30-year issue rose to 8.95 per cent.

The key dampener on the market was Friday's figures, which appeared to show considerable strength in the economy. The US Federal Reserve did not operate in the market yesterday although Fed funds were trading at a firm 8¾ per cent, which prompted concern that the Fed may tighten policy a notch.

Opinion on interest rates is still mixed but, at the least, bond traders are less optimistic that interest rates may be allowed to drift lower over coming months.

The dollar again dipped yesterday – not a particularly welcome feature given this week's quarterly refunding auctions today, tomorrow and Thursday. The key 10-year auction takes place the day after the presidential election, with many traders predicting an immediate test of the US currency.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-30	-11/32	10.31	10.05	10.07
		8.750	9/97	94-16	-6/32	9.69	9.54	9.66
		9.000	10/08	99-20	-8/32	9.04	8.94	9.03
US TREASURY*		9.250	8/98	102-07	-11/32	8.90	8.68	8.70
		9.125	5/18	101-24	-14/32	8.96	8.78	8.83
JAPAN	No 105	5.000	12/97	101.8186	0.065	4.72	4.66	4.69
	No 2	5.700	3/07	106.8054	0.102	4.99	4.88	5.11
GERMANY		6.500	5/98	101.0500	-0.275	6.37	6.31	6.53
FRANCE	BTAN	9.000	7/93	101.8167	-0.324	8.48	8.37	8.42
	OAT	8.500	6/97	99.4250	-0.325	8.58	8.48	8.58
CANADA*		9.500	10/98	96.6250	-1.375	10.04	9.69	9.74
NETHERLANDS		6.500	7/98	101.2250	-0.450	6.36	6.29	6.40
AUSTRALIA		12.500	1/98	103.5313	0.394	11.85	11.90	11.83

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

NEW ZEALAND government bonds rallied modestly in very active trading, with prices recovering some of the ground lost last Friday in the one of the sharpest single-day sell-offs ever.

On Friday, turnover in the bond futures market was 1¼ times the previous record volume as investors were provoked into panic selling by the advent of a political crisis.

While Monday's trading in futures was closer to usual levels, trading in the underlying cash instruments was about twice the normal daily volume.

Yields on the broadly-traded 10 per cent government bonds due 1993 rose a near-record 28 basis points to close on Friday at 13.33 per cent. They recovered ground yesterday to close at 13.25 per cent.

The slide was triggered by the decision of Mr David Lange, New Zealand's Prime Minister, to sack Mr Richard Prebble, his controversial Minister for State-Owned Enterprises. Mr Prebble, a close political ally of Mr Roger Douglas, Economics Minister, is in charge of the government's privatisation programme and commands considerable political support in parliament.

But yesterday, Mr Lange appeared to have weathered the storm, emerging from a cabinet meeting with the announcement that there had been no vote to censure him. Mr Prebble resigned his cabinet post yesterday as well.

[redacted]

WEST GERMAN government bond prices fell sharply, partly in late reaction to US employment data published last Friday indicating that relatively robust economic growth is continuing. Among longer dated issues, prices shed up to 45 pfennigs.

Dealers said that heavy buying in the aftermath of the West German government's decision to modify some of its plans for withholding tax had simply not materialised in the volume anticipated.

Dealers had bought heavily, expecting retail investors to pile back into the sector now that a tax avoidance technique known as "bond washing" is likely to become available.

[redacted]

UK GOVERNMENT gilts ended slightly lower in dull trade with activity slow ahead of the US presidential elections.

While the stock shortage has helped to keep yields down, especially in the long end, bond analysts at several international firms are arguing that fundamentals are not likely to lead to lower interest rates any time in the near future.

Instead, clients are being urged to switch out of long gilts and into Eurosterling and bulldog issues, where better values can be found.

Tax confusion halts trading in Dutch bonds

By Dominique Jackson

A MOVE by the Dutch Finance Ministry to clarify the tax treatment of a newly developed type of guilder warrant bond has brought trading in the instruments to a halt and has left confusion as to the precise fiscal status of the bonds.

In a statement late last week, Mr Henk Koning, a junior finance minister, indicated that a tax loophole which had made the bonds attractive to Dutch investors would be closed in legislation due to go before parliament shortly. Reports suggesting that holders of the new type of low-coupon paper would be exempt from income tax on the bonds were erroneous, he said.

Four new warrant bond issues totalling Fl 550m ($272.2m) were launched in September and October when syndicate managers came up with the low – ½ per cent – coupon structure with warrants attached to replace the popular practice of bond stripping, which will no longer be permitted from January 1.

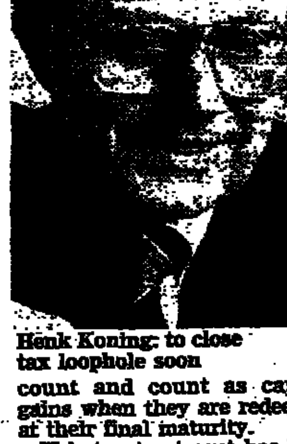
Yesterday, dealers said no business was being done in the low-coupon issues although a few attempts were made earlier to pick up the paper at the sharply lower levels seen after the Finance Ministry announcement.

Stripped bonds appealed to several Dutch individuals of high net worth because the imputed interest was deemed to be a capital gain and not subject to tax in the Netherlands. The coupons were usually bought by institutions seeking regular interest income.

The driving principle behind the warrant bonds was their tax treatment.

Under current Dutch law, it is the first buyer of the warrant who pays income tax on the difference between the issue price of the bond with the warrant and the issue price of the bond alone, calculated by using current yield levels.

If the warrants are initially placed with tax-exempt institutions, they can subsequently be sold into the market and this tax is never paid. The bonds on their own are thus effectively issued at a deep discount and count as capital gains when they are redeemed at their final maturity.



Henk Koning: to close tax loophole soon

This tax treatment has been under government review for some time, with the result now heading for parliament.

Algemene Bank Nederland and Amsterdam Rotterdam Bank, which between them led three of the low-coupon warrant deals, said yesterday they were still discussing the details of the statement with the Finance Ministry and declined to make any further comment on the status of the bonds currently outstanding.

A senior syndicate manager at a house which was part of the co-management group on some of the deals said there had been an understanding at the time of the bonds' issue that they would offer some means of making an untaxed capital gain and that the paper was reportedly marketed to investors as such.

However, the Finance Ministry statement said investors would either be taxed 4.6 per cent of a bond's nominal value if the paper was bought at par or taxed for the differential between the discount value of the paper and its nominal value. This could still prove an attractive option to some individuals who are liable in some cases to tax in excess of 70 per cent.

US retailer in novel asset-backed offer

By Dominique Jackson

A NEW variation of US asset-backed securities reached the Eurobond market yesterday with a $200m eight-year issue for Stop & Shop, the US supermarket chain, via Bankers Trust International. It will be used to provide working capital for the management buy-out of Stop & Shop.

INTERNATIONAL BONDS

It carries the guarantee of Financial Security Assurance and is secured by mortgages on 43 properties owned by the New England store chain.

Previous deals from the guarantor have been rated triple-A by both credit rating agencies. This appears to have enabled Stop & Shop to tap the Eurobond market successfully – the first US corporate to do so since investors switched their attention to credit worthiness and event risk among industrial borrowers in both the US domestic and Eurobond markets in the wake of the planned RJR Nabisco buy-out and Philip Morris/Kraft merger.

That the borrower in question is also currently caught up in a leveraged buy-out bears witness to the success of yesterday's deal.

Enhancing credit by securing the guarantee of an agency such as FSA is one method which allows this type of borrower to raise funds at competitive rates. This form of insurance not only offers an attractive credit rating but allows the borrower to come at an attractive initial yield margin over comparable government bond issues.

In this case, the original spread at launch over equivalent Treasury issues of 116 basis points was cited as one of the deal's most attractive features, which was bringing in investors based both in the Far East and across Europe. The lead manager said it had spent some time educating investors about the novel character of the issue and the deal was well bid following its formal launch in London, remaining comfortably within total fees all day.

This is only the second insured transaction involving LBO debt and is the first in the Eurobond market. A similar deal was conducted recently in the US domestic markets to refinance $1.45bn of bank debt incurred in the buy-out of Jim Walter Corp by Kohlberg Kravis Roberts.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Stop & Shop Finance(d)♦	200	10⅛	101⅝	1996	1⅜/⅜	Bankers Trust Int.
Issue Update: OSG Corp.♦♦	30	5½(c)	100	1992	1½/¾	New Japan Secs.
AUSTRALIAN DOLLARS						
Unilever Capital Corp.♦	100	13	102	1993	1⅜/⅝	Deutsche Bk.Cap.Mkts
DEUTSCHE MARK						
Nichirei Finance USA**♦	60	5¾	101⅜	1993	1⅛/½	Bank of Tokyo A.G.
SWISS FRANCS						
Storebrand Finance **♦	125	4½	100½	1991	(a)	Shearson Lehman
Issue Update: Osaka Organic§**(b)♦	30	½(c)	100	1993	1⅝	J.Henry Schroder Bk
GUILDERS						
EIB♦	150	6¼	101½	1998	1¼/¾	Amro Bank
Nichirei Finance BV♦	50	6¼	100¾	1993	1⅞/⅝	ABN
ECU						
Creditanstalt♦	100	7¾	101⅝	1993	1¼/⅝	Mitsubishi Finance
YEN						
Christiania Bank♦	5bn	7½	114.80	1993	n/a	Nikko Secs.

**Private placement. §Convertible. ♦Final terms. ♦With equity warrants. a)Fees ¼coupon/⅛principal. b)Put fixed as follows: 31/5/91 at 108$\frac{11}{16}$ to yield 3.825. c)Coupon fixed as indicated.(d)Guaranteed by Financial Security Assurance & secured by mortgages on 43 Stop & Shop properties.

BZW arranges £500m funding for Ladbroke

By Stephen Fidler

LADBROKE, the UK leisure and entertainment group, is raising a £500m financing which will mainly be used to refinance the short- and medium-term borrowings arising from its acquisition of Hilton International in October 1987.

The financing, being arranged by Barclays de Zoete Wedd with Ladbroke's relationship banks, includes a £350m standby credit and a tender panel on which banks may bid to provide sterling bills and cash advances.

The facility fee will be 6¼ basis points and the margin above Libor will be 12½ basis points, with a utilisation fee of 2¼ basis points if more than half drawn. The 5¼-year financing has an evergreen option which will allow underwriting banks to extend their commitment by a further year at each anniversary.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday November 7 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Nov 4: Index No.	Thu Nov 3: Index No.	Wed Nov 2: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (210)	816.84	-0.8	10.64	4.13	11.62	22.79	823.10	824.43	826.43	626.48
2	Building Materials (28)	1034.87	-0.8	11.87	4.33	10.40	28.90	1043.35	1044.39	1046.84	825.61
3	Contracting, Construction (38)	1593.28	-0.7	11.86	3.74	10.99	40.69	1605.28	1599.84	1597.47	1145.86
4	Electricals (12)	2369.23	-0.3	8.76	4.59	13.89	64.48	2376.53	2366.59	2375.71	1662.65
5	Electronics (29)	1734.63	-1.2	10.27	3.62	12.53	42.54	1755.77	1761.46	1772.34	1446.31
6	Mechanical Engineering (57)	429.93	-0.5	10.16	4.17	12.08	12.69	432.21	433.42	433.70	301.49
8	Metals and Metal Forming (7)	510.09	......	9.53	3.84	12.97	10.06	510.39	510.29	512.09	348.64
9	Motors (16)	283.48	-0.7	11.87	4.75	9.75	9.75	285.35	285.49	286.93	223.31
10	Other Industrial Materials (23)	1373.85	-0.7	9.64	4.45	12.26	43.06	1383.75	1390.43	1391.84	1058.99
21	CONSUMER GROUP (186)	1066.76	-0.8	9.45	3.77	13.32	22.72	1075.29	1079.44	1085.32	919.77
22	Brewers and Distillers (21)	1138.74	-0.4	10.40	3.62	12.13	23.80	1142.95	1143.83	1149.00	877.37
25	Food Manufacturing (21)	967.35	-1.4	9.12	3.91	13.86	19.54	981.48	983.19	983.51	726.65
26	Food Retailing (16)	1837.96	-0.8	9.58	3.67	13.78	42.90	1853.18	1850.92	1880.33	1856.23
27	Health and Household (12)	1854.23	-1.0	7.00	2.66	16.50	19.40	1873.18	1889.42	1903.77	1596.93
29	Leisure (30)	1407.16	-0.3	8.72	3.66	14.71	33.95	1411.14	1416.40	1422.26	943.07
31	Packaging & Paper (17)	555.49	-0.7	10.11	4.04	12.30	14.30	559.60	561.52	560.56	441.72
32	Publishing & Printing (19)	3476.70	-0.6	8.52	4.13	14.62	96.05	3499.07	3467.32	3461.03	2896.13
34	Stores (34)	733.44	-0.7	11.46	4.58	11.49	19.70	738.55	749.04	754.41	796.20
35	Textiles (16)	513.67	-1.2	13.54	5.41	8.67	13.91	519.73	520.36	524.91	528.94
40	OTHER GROUPS (92)	905.67	-0.7	11.16	4.44	10.92	23.05	912.51	915.86	917.46	762.20
41	Agencies (19)	1086.61	-0.6	8.11	2.55	15.52	19.25	1092.82	1088.81	1085.81	895.85
42	Chemicals (22)	1043.47	-1.0	12.23	4.89	9.82	37.79	1054.02	1062.57	1062.17	943.03
43	Conglomerates (12)	1253.84	-0.5	10.47	4.53	10.93	25.00	1260.51	1258.66	1258.73	998.37
45	Shipping and Transport (12)	1939.63	-0.6	11.71	4.78	11.16	50.63	1951.30	1957.27	1947.09	1535.32
47	Telephone Networks (2)	971.70	-1.0	11.42	4.58	11.36	20.38	981.21	987.50	995.94	821.00
48	Miscellaneous (25)	1237.04	-0.5	11.45	4.41	9.94	37.84	1243.53	1248.29	1249.37	1059.25
49	INDUSTRIAL GROUP (488)	972.74	-0.8	10.24	4.05	12.12	23.59	980.31	983.44	987.08	808.82
51	Oil & Gas (12)	1728.79	-0.7	10.89	6.43	11.76	76.79	1741.16	1732.79	1733.07	1526.51
59	500 SHARE INDEX (500)	1037.19	-0.8	10.33	4.37	12.07	28.05	1045.17	1047.38	1050.69	868.93
61	FINANCIAL GROUP (123)	683.07	-0.8	-	5.20	-	24.46	693.79	694.67	696.43	567.01
62	Banks (8)	661.98	-1.3	21.20	6.69	6.32	31.13	670.43	672.07	673.67	586.66
65	Insurance (Life) (8)	969.83	-0.6	-	5.47	-	39.81	975.42	968.76	975.71	821.55
66	Insurance (Composite) (7)	524.17	-0.3	-	5.96	-	24.04	528.37	528.84	529.33	453.21
67	Insurance (Brokers) (7)	948.63	-0.7	9.40	6.80	13.35	45.86	955.71	955.48	968.03	709.92
68	Merchant Banks (11)	352.04	-0.5	-	4.18	-	9.20	353.79	353.04	358.85	331.19
69	Property (51)	1238.97	-0.5	5.54	2.68	23.09	18.62	1245.37	1251.56	1248.40	829.64
70	Other Financial (31)	370.10	-0.8	10.28	5.39	12.23	11.75	373.10	373.42	376.01	349.93
71	Investment Trusts (77)	935.50	-0.6	-	3.13	-	16.97	940.97	938.86	938.02	756.11
81	Mining Finance (2)	564.96	+0.2	10.82	3.70	10.30	15.67	563.99	561.55	556.60	344.15
91	Overseas Traders (8)	1447.77	+0.8	8.60	4.24	13.50	41.34	1435.84	1410.94	1380.82	834.34
99	ALL-SHARE INDEX (710)	951.55	-0.7	-	4.45	-	26.71	958.61	960.84	962.38	787.64

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Year ago
FT-SE 100 SHARE INDEX ♣	1819.7	-14.6	1827.3	1818.3	1834.3	1837.6	1843.2	1857.8	1852.4	1565.2

FIXED INTEREST

	PRICE INDICES	Mon Nov 7	Day's change %	Fri Nov 4	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.37	-0.13	119.74	0.22	10.12
2	5-15 years	137.17	-0.19	137.43	-	11.64
3	Over 15 years	148.09	-0.28	148.97	0.46	13.10
4	Irredeemables	169.96	-0.30	170.47	-	13.38
5	All stocks	134.06	-0.18	134.44	0.14	11.41
	Index-Linked					
6	5 years	130.97	-0.10	131.11	-	1.81
7	Over 5 years	129.43	-0.03	129.39	-	2.96
8	All stocks	129.33	+0.02	129.31	-	2.85
9	Debentures & Loans	118.38	+0.07	118.30	-	9.67
10	Preference	89.90	-0.07	89.97	-	5.38

	AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 7	Fri Nov 4	Year ago (approx.)
	British Government				
1	Low	5 years	9.75	9.70	8.07
2	Coupons	15 years	9.26	9.23	8.82
3		25 years	8.94	8.91	8.72
4	Medium	5 years	10.14	10.08	8.57
5	Coupons	15 years	9.48	9.45	8.96
6		25 years	9.16	9.13	9.00
7	High	5 years	10.29	10.22	8.61
8	Coupons	15 years	9.58	9.55	9.09
9		25 years	9.21	9.18	8.94
10	Irredeemables	†	8.86	8.83	8.41
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.71	2.66	2.17
12	Inflation rate 5%	Over 5 yrs.	3.53	3.53	3.91
13	Inflation rate 10%	5 yrs.	1.61	1.55	2.37
14	Inflation rate 10%	Over 5 yrs.	3.37	3.37	3.95
15	Debs &	5 years	11.73	11.65	10.68
16	Loans	15 years	11.03	11.00	10.57
17		25 years	10.69	10.68	10.57
18	Preference	†	10.01	9.99	10.80

♣Opening index 1827.2; 10 am 1824.2; 11 am 1821.1; Noon 1822.4; 1 pm 1821.5; 2 pm 1820.9; 3 pm 1819.1; 3.30 pm 1818.9; 4 pm 1819.3
(a) 9.05 am (b) 3.12 pm. † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	97	4
Corporations, Dominion and Foreign Bonds	0	19	32
Industrials	207	571	812
Financial and Properties	77	242	350
Oils	19	39	47
Plantations	1	0	12
Mines	27	44	119
Others	40	78	150
Totals	381	1,090	1,526

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	-	88	83	Acorn Inv. Tst. £1	86		-	-	-	-
-	F.P.	-	7	3	Amalgamated Fin. Wrrnts.	5		-	-	-	-
92	F.P.	-	105	99	♦Chieftain Group 5p	105	+1	R3.5	2.5	4.4	12.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
360	Nil	15/11	47pm	35pm	Anglia Secure Homes 10p	40pm	
45	Nil	30/11	9pm	3pm	Bealox Hldgs. 10p	9pm	+1
30	Nil	-	2½pm	2pm	Bennett & Fountain Grp 5p	2pm	
240	F.P.	30/11	270	265	Caird Group 10p	270	
225	Nil	25/11	33pm	21pm	Fitch Lovell 20p	32pm	-1
99	Nil	-	21pm	17pm	Howden Group	20pm	
85	Nil	7/12	28½pm	13pm	Queens Moat Houses 5p	28½pm	
36	Nil	9/12	13pm	8pm	♦Regina Health & Beauty 2p	8pm	
310	Nil	9/12	35pm	20pm	♦Sims Food Group 5p	20pm	-5
42	Nil	8/11	10pm	2pm	Tysons 10p	2pm	
35	Nil	-	6pm	¼pm	West Trust 2½p	¼pm	-3¼

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ♣ Offered to holders of ordinary shares as a "rights". † Introduction. ¶Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♯ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings: Nov 7
- Last Dealings: Nov 18
- Last Declarations: Feb 9
- For settlement: Feb 20

For rate indications see end of London Share Service

Calls in Allied Lyons, Trimoco, Health Care, Lonrho, BSR, Monument Oil & Gas, Unigate, Tranwood, London Securities, Coats Viyella, West Inds, Premier Cons, Bryant, Boots, Spong, Cadbury Schweppes, Wembley, Hambro Countryside, Addison Consultancy and Buckley's Brewery.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*462)	460	29	44	56	23	30	43
	500	14	26	37	52	55	65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

November 7 Total Contracts 32,368 Calls 19,905 Puts 14,463
FT-SE Index Calls 1938 Puts 3140
*Underlying security price.

CONTRACTS

Reducing nuclear waste discharge

H&G ENGINEERING, a division of Enserch International Investments, has been awarded an engineering and construction contract worth about £60m by British Nuclear Fuels for its waste packaging and encapsulation plant (WPEP).

This constitutes a major element in a development by BNF to reduce low active waste discharges to a minimum from its Sellafield, Cumbria, site. H&G Engineering's order covers the provision of design, engineering, safety, procurement and construction services for the entire WPEP facility.

The plant will receive effluent from upstream processing and, after mixing it with lime, will encapsulate the material with cement in drums. These will be transferred to a new store, with a capacity for 12,000 drums, prior to disposal.

Features of the WPEP include robotic handling in the encapsulation system, a computer-controlled stack storage system, and a building with walls one metre thick.

Completion of the project is scheduled for the early part of 1992.

Controlling UK's first PWR power station

A £50m plus contract for the central control systems for Britain's first pressurised water reactor (PWR) nuclear power station at Sizewell, in Suffolk, has been placed by the Central Electricity Generating Board.

The order has been awarded to GECPIC, an Anglo-French company formed between GEC and CGEE Alsthom, of Paris.

It involves the supply of the main computer as well as automatic control systems, data processing and instrumentation for the control rooms of the £1.7 bn station.

The systems will use control modules from the P20 range developed by CGEE Alsthom in conjunction with Electricite de France.

Design work is already under way and manufacturing will start this month. Installation on site will commence in June 1990 and the contract is planned for completion in 1993.

Instrumentation at Sizewell B

C & I SYSTEMS, a business unit of NEI Electronics of Gateshead, has been awarded a contract from CEGB worth over £20m for the process plant control and instrumentation system to be installed at Sizewell B PWR nuclear power station.

C & I sampling and analysis equipment will be installed to monitor effluent, hydrogen, carbon dioxide, vibration, seismic and meteorological conditions.

Completion is scheduled for November 1993.

Nationwide upgrades its computer

To meet increasing workloads and to support new products in the financial services markets, Nationwide Anglia Building Society is to install a multi-processor UNISYS 1100/94.

The order, which covers communications processors, UNIX systems, PC networks, advanced peripherals, software and support, is worth over £20m.

The 1100/94, which will take over from the current 1100/90s at the Society's administrative headquarters in Swindon, will be used to process investment and mortgage accounts and to handle a wide range of MAPPER applications. It is also planned to develop LINC applications running under OS 1100.

The existing systems will be moved to a remote site to provide corporate office automation services, MIS and backup facilities.

Other equipment in the order includes 12 Unisys DCP50 distributed communications processors, nearly 1000 PC workstations and associated desktop laser printers, and several models from the Unisys U series of minicomputers running the UNIX operating system.

Battlefield communications system

The Ministry of Defence has awarded a contract worth over £13m to SD, defence and aerospace arm of SD-Scicon, for an integrated communications system.

Designed to be easily transportable by land or air for deployment well-forward in the battlefield, the system provides communications and command and control facilities over radio in the HF/VHF band. Features include automated communications and frequency management, remote control techniques, intelligent message handling and other operator aids, and modems.

Racal Electronics has been selected to supply the majority of the communications hardware. Racal Communications is to supply receivers and transmitter drive units, as well as multi-tone modems. Racal Tacticom is to supply radio relay equipment and multiplexers based on its TACNET system.

"Next-day" auto parts delivery service

General Motors Service Parts UK - parts and accessories arm of Vauxhall Bedford and AC Delco - has awarded NATIONAL CARRIERS CONTRACT SERVICES a three-year contract worth £16m. NCCS is increasing its "dedicated" workforce for General Motors from 70 to 150. The company will buy 80 vehicles and 65 trailers, which will cover some 6m miles annually, delivering parts valued at £350m, and providing a nationwide next-day parts service to 650 mainland dealers. From January, Northern Ireland dealers will also receive a next-day service - with an 1800 hours order deadline.

Information technology agreement

HOSKYNS FACILITIES MANAGEMENT has signed a five-year contract, currently running at £25m pa, to service and supply all of the Plessey company's existing and future information technology (IT) requirements.

Under the agreement, control of Plessey Information Engineering (PIE), which is both Plessey's current source of IT supply and a computer services operation in its own right, passes to Hoskyns.

This involves the transfer of 370 staff, 22 countrywide installations, which house a mixture of DEC, ICL and HP equipment, and business which brings new strengths to the group in terms of a microfiche bureau and electronic publishing services. PIE will retain its own identity, operating as a separate division within Hoskyns FM.

Cables for Telecom

STC, the communications and information systems group, has won orders worth £20m from British Telecom for copper and fibre optic telecommunications cables. These will be manufactured at STC Telecommunications' South Wales plant at Newport, Gwent.

The first contract is for optical fibre cable for use in British Telecom's trunk network and is believed to be the largest single contract placed in the UK for such cables. More than 1900 kilometres of cable are to be made in the next five months.

The second contract, for completion in mid 1989, is for conventional cables with copper conductors for use in British Telecom's local network, where a major programme of modernisation is under way.

Tanker order

F. T. Everard Shipping has placed an order for two clean petroleum products tankers with RICHARDS (SHIPBUILDERS) of Lowestoft, a subsidiary of Tate & Lyle. The contract price is about £8m. Each vessel will have a deadweight of 3,000 tonnes and a service speed of 12 knots.

UK COMPANY NEWS

Poor harvest depresses first half, but satisfactory full year expected

ABF disappoints with rise to £89m

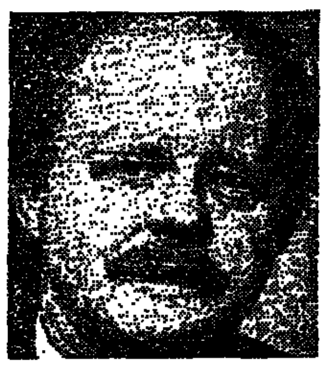
By Clare Pearson

ASSOCIATED BRITISH Foods, baking and milling group, yesterday announced a lower-than-expected 8 per cent increase in pre-tax profits to £89.3m, and a similar rise in turnover to £1.15bn, in the six months to October 1.

However, a lower Australian tax rate helped attributable profits rise to £57.4m (£50.8m). The tax charge stood at 33.5 per cent against 36.6 per cent in the same period last year. Earnings per share came out at 12.8p (11.4p).

Mr Garry Weston, chairman, said market conditions this year remained competitive both at home and abroad. But maintained expenditure on product development, together with planned sales growth, led him to expect a satisfactory result for the year as a whole.

In the UK, sales showed an 8 per cent increase to £751m but trading profits increased by a disappointing 4 per cent to £35.6m. Mr Weston cited last year's poor harvest, which intensified margin pressure in baking. Other activities such as canning, achieved satisfactory growth.



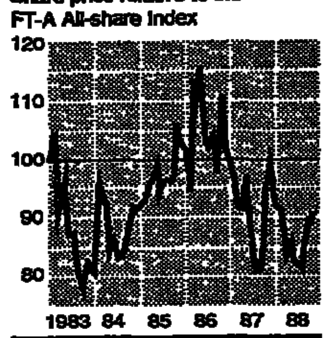
Garry Weston – market conditions still competitive

Investment income on ABF's substantial surplus funds also came out below budget at £35m (£31.9m) during the six-month period. The company blamed interest rate fluctuations in July and August.

Overseas, George Weston Foods in Australia improved its contribution in local currency terms to about A$28m (£13m), from A$24.7m last time. This was despite tough market conditions and industrial disputes. Its contribution in sterling terms was helped by currency movements.

Assoc. British Foods

Share price relative to the FT-A All-share Index



The overall overseas contribution to sales was £402m and to trading profits £21.5m, increases of 8 per cent and 11 per cent respectively. The effect of currency movements was to reduce sales by some £4m but marginally increase profits.

This year's better harvest is expected to help UK baking in the second half. However, a recent cut in flour prices is likely to have a correspondingly adverse effect on margins in milling activities.

ABF's investment portfolio, which is worth about £950m, chiefly comprises money market instruments, gilts and unlisted securities.

In addition, aside from a number of small equity stakes, the company has a 15 per cent holding in shares of food retailer Gateway Corporation, and about 24 per cent of S&W Berisford, the diversified sugar producer for which ABF withdrew a full bid a year ago.

The £51m profit on May's sale of ABF's investment in a West German supermarket chain, which never contributed to profits, will be taken as an extraordinary item at the full-year stage.

An interim dividend of 2.8p (2.5p) is declared.

See Lex

Misys agreed £16m offer for Zygal

By Philip Coggan

MISYS yesterday launched a £16m agreed offer for fellow USM-quoted computer systems supplier Zygal Dynamics. The all-share offer has already received irrevocable acceptances from holders of 57.9 per cent of Zygal's equity.

Mr Kevin Lomax, Misys' chairman and managing director, said that the main attraction of Zygal was Coulson Heron Associates, its DEC equipment supplier.

The deal will also unite Misys Dataller, which claims to be the market leader in sales of computer systems to insurance intermediaries, with Zygal's Base-Sys, which sells stand-alone quotations systems for motor insurance.

Zygal, which joined the Unlisted Securities Market back in 1981, has been transformed in recent years via the acquisitions of Base-Sys and of Coulson Heron. It recently announced a 29 per cent increase in preliminary pre-tax profits to £1.26m.

In the summer, Zygal's shares were suspended during merger talks with another group but those talks were subsequently abandoned. Mr Jonathan Firth, Zygal's finance director, said the earlier talks were not with Misys.

Mr Firth said that the merger reflected the general trend towards agglomeration in the computer systems sector. Following completion, which is conditional on 90 per cent acceptances, Mr Richard Coulson of Zygal will join the Misys board.

The acquisition of Zygal is the most substantial purchase made by Misys since it joined the USM, valued at just £8m, last year. Mr Lomax estimated the group's market capitalisation following the purchase would be around £65m.

Misys's offer is one of its shares for every 3.07 in Zygal. On the basis of last night's Misys share price of 324p, down 28p, that values each Zygal share at 105.5p. Zygal shares closed 18p higher at 110p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ambrose Invs., Aquascutum, Capital Gearing Tst., GEI Intl., Healthcare Services, Henderson Admin., London American Ventures, National Telecom., Newmarket Venture Cap., Sainsbury (J.), S.A. Brew., Stirling Grp. Yale & Valor.

Finals- Alva Inv. Tst., Rosehaugh, Tiger Oats.

FUTURE DATES

Interims-	
Amber Ind. Hldgs.	Nov. 9
Brown Shipley	Nov. 21
Davy Corp.	Nov. 17
Isopad Intl.	Nov. 14
Locker (Thos.)	Nov. 17
London Intl. Grp.	Nov. 14
Normans Grp.	Nov. 15
Personal Assets Tst.	Nov. 16
Prop. Partnerships	Nov. 25
Staveley Inds.	Nov. 10
Tanjong Tin Dredging	Nov. 15
Yorklyde	Nov. 10
Finals-	
Land Securities	Nov. 18
Yeoman Inv. Tst.	Nov. 15

Braithwaite sells offshoot

BRAITHWAITE GROUP, industrial services and engineering concern, is to sell Braithwaite Plastics, manufacturer of multi-purpose board from waste plastic, to Superwood UK, a subsidiary of the Irish company Superwood Holdings, for about £700,000 in cash.

Braithwaite Plastics had a NAV of £326,000 at March 31 and in the year to March 31, the subsidiary made £122,000 before tax and management charges.

Johnson Matthey in £20m acquisitions

By Clare Pearson

JOHNSON MATTHEY, precious metals and materials technology group, yesterday announced its first acquisitions since the collapse of its banking side four years ago.

Both companies being acquired are North American. Johnson Matthey is paying around £20m to acquire the electronics materials business of Cominco, a Canadian mining and refining company, and also Alfa Catalog Chemicals, a high purity chemicals supplier which operates in the USA and West Germany.

Mr Eugene Anderson, chief executive, who took control in May 1985 described the deals as constituting an important and early stage in the fulfilment of Johnson Matthey's plans for long-term growth through acquisitions.

The purchase of Cominco's electronic materials side doubles Johnson Matthey's activities in this area, he said. The business being added operates mainly in British Columbia. It is a supplier of gallium arsenide wafers, used in the manufacture of compound semi-conductor devices, and it also supplies bonding wires and ribbons used in the assembly of integrated circuits.

The consideration, subject to an assessment of net assets, is expected to be about C$40m (£18.3m). Alfa Catalog Chemicals is expected to cost around $4.5m (£2.1m). Both deals are in cash and do not involve deferred payments.

Mr Anderson said Johnson Matthey had ample resources to make further acquisitions. During the past financial year, ending on March 31, the company's net gearing fell from over 84 per cent to about 8 per cent.

Mr Anderson joined the company after it was saved from the collapse of its banking subsidiary in October 1984.

PLM issues Redfearn bid offer document

By Philip Coggan

PLM, the Swedish packaging group, yesterday issued the offer document in its £54.5m bid for Redfearn, the UK glass container and flexible packaging group.

The 545p per share cash offer is now accompanied by a loan note alternative to attract those shareholders who might have capital gains tax problems.

PLM, in its financial arguments, points out that its offer is 25p higher than the offer OVS, an Australian company, said it would make for the UK group. OVS, which owned 29.9 per cent of Redfearn, has now irrevocably accepted the PLM offer.

The industrial logic of the bid, argues PLM, is that small and medium sized companies like Redfearn are likely to find it difficult to compete in the international packaging market. PLM also believes it can bring technical support to Redfearn's businesses.

Redfearn responded by saying that the PLM offer was "clearly a sighting shot."

"This is not a serious price" said Mr David Newbigging, the chairman. However in the market, Redfearn's shares closed yesterday at 527p, well below the PLM offer.

Success or defeat for Redfearn may well depend on its results for the year 1987/88 which are expected to be published in the defence document.

Evode expands with £4.58m Dutch purchase

By Andrew Hill

EVODE, a speciality chemicals company well-known for its adhesives, paints and sealants, is expanding its plastics division into the Netherlands with the purchase of Technoplast, a manufacturer of plastic moulded products, for a maximum of Fl16.8m (£4.58m) in cash and shares.

Initially, Evode is paying Fl11.3m for Technoplast, Fl9.08m in cash and the balance funded by the issue of 341,394 new ordinary shares. A further Fl4.99m will be paid based on Technoplast's profits.

Era approach

Era Group, a toy, furniture and camera retailer, has received an approach which may have led to an offer being made for the company. The board said yesterday that, following consultation with its advisers, it has decided to reject the approach and talks have been terminated.

The board stressed its commitment to turning the company into a major independent retailing group.

Pearson in talks to buy stake in Spanish financial newspaper

By Peter Bruce in Madrid

PEARSON, the publishing and banking group which owns the Financial Times, is negotiating to buy a significant stake in Expansion, one of Spain's two established financial daily newspapers.

Expansion shareholders, which include Economica Actualidad, a weekly magazine, and Bilbao Editorial, large Basque regional newspaper group, confirmed yesterday that negotiations for Pearson to take a stake in Expansion were advanced.

Pearson management, which was not available for comment yesterday, has been studying ways to enter the Spanish business newspaper market for nearly a year.

Late last year it was offered a stake in Expansion's rival, Cinco Dias, but pulled away early last summer when interests controlled by Dow Jones, owner of the Wall Street Journal, took a large holding instead.

Both Expansion and Cinco Dias are thought to sell around 20,000 copies each a day. Both claim to outsell the other. But Cinco Dias was started in the mid-1970s and Expansion's growth since it was founded two years ago has been very swift.

The newspaper has been criticised in the past for being too close to the Catholic Opus Dei organisation, some members of which are Expansion shareholders.

With the Spanish economy growing very rapidly, the country has witnessed a remarkable growth in the number of financial publications available in the past few years. The market is served by at least half a dozen magazines, and two other publishing groups are said to be planning the launch of new financial newspapers in the next year or two.

Thomson closer to Suter deal

By Ray Bashford

TRADING IN the shares of Thomson T-Line and Suter was suspended yesterday as the boards of the industrial holdings companies moved closer to agreement on terms for a takeover.

Thomson T-Line is proposing to offer the equivalent of 275p a share on a cash and share basis for the company headed by Mr David Abell which would value it at about £320m.

The Takeover Panel is understood to have contacted the companies requesting information about the takeover talks which faltered last week after several weeks of formal and informal negotiations.

Suter shares were suspended at 241p and Thomson T-Line at 71p.

The talks are believed to have been called off because of disgreement about the size of the cash element which has been raised from the orginally discussed level of 30p.

The companies were last night continuing negotiations and were expected to make a further statement within the next two days.

The confirmation last week that Thomson T-Line was the group holding negotiations with Suter came after several months of speculation that the company might be subject to an offer.

Suter shares have been under pressure since last July when the Department of Trade and Industry announced that it was investigating share trading in the two companies associated with the group.

Suter is bigger than Thomson T-Line in terms of market capitalisation, making it clearly the biggest of takeovers which the company has undertaken during the past two and half years since it came under the control of Mr Hugo Biermann and Mr Julkian Askin, who both have South African backgrounds.

Last February the company took over Vernons Pools for £90m which is acting as a cash cow to back expansion.

CDFC Trust

CDFC Trust now owns or has acceptances for 54.4 per cent of the ordinary shares in Plantation Trust. The offers are now unconditional.

Fyffes buys Rowe for £14.8m

By Clare Pearson

FII-FYFFES, Dublin-based fruit and vegetable company, is buying Rowe and Company, a UK wholesaler and distributor, in a £14.8m deal that will boost the share of its business in the UK to about 80 per cent.

The acquisition from Rowe and Company (Cornwall) Holdings, an investment holding company, will also take Fyffes into the retailing field for the first time, as it includes Gerrards, a previously loss-making greengrocer.

The consideration breaks down as follows: £2m-worth is to be satisfied by the issue of 1.72m ordinary shares; £6m is to be paid in 5 per cent unlisted convertible redeemable preference shares; £2m in unsecured loan stock; and the balance in cash.

Rowe, which operates from 17 depots in southern England and Wales, made pre-tax profits of £1.4m in the year to the end of March, after adjusting for the effect of activities to be transferred to the holding company. Its £87m-worth of sales will boost Fyffes' turnover in the UK by about 10 per cent.

On Gerrards, Mr Carl McCann, Fyffes' deputy chairman, said: "We'll be interested to take a look at it and see how it goes." The 125-strong shop business, with sales of about £20m, made a loss of £900,000 in the year to the end of April, but is expected to return to profitability in the current year.

Fyffes, which owns 20 per cent of Irish Distillers, over which Grand Metropolitan and Pernod Ricard are battling for control, is still awaiting the outcome of its appeal against a Dublin Court decision earlier this month that its verbal commitment in September to accept Pernod's offer was a legal contract.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AB Foods ....int	2.8	-	2.5	-	8.3
Brown (N) Group ....int	1.5†	Jan 18	1.5	-	5
GT Management ....int	1.25	Jan 6	1.25	-	5
Hughes (HT) § ....int	1.1	Jan 16	-	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Mecca offers

Mecca has declared its final offers for Pleasurama unconditional in all respects. Acceptances for its partial cash alternative totalled 74.74m ordinary (34 per cent) and elections for additional cash were received in respect of Mecca ordinary 42.83m (20 per cent) and convertible preference shares 43.89m (20 per cent).

UK COMPANY NEWS

S&N accuses Elders of trying to take over on the cheap

By Lisa Wood

SCOTTISH & NEWCASTLE Breweries, which is fighting a £1.6bn takeover bid by Elders IXL, yesterday accused the Australian-based group of trying to buy it on the cheap.

S&N, which this week expects to hear whether the bid will be referred to the Monopolies and Mergers Commission, urged shareholders in its defence document to reject the £4 per share offer from the Foster's lager brewer.

S&N said: "Elders is reported to be expecting to recoup up to £1.5bn from the sale of S&N's pubs and hotels. On this basis, you would receive the paltry sum of 25p per ordinary share for all the S&N brands and breweries, together with our free trade, take-home and other businesses." The Scottish-based brewer, which did not, however, give a value for its brands, also made the controversial claim that Elders' debt to equity ratio could rise to 313 per cent if the bid succeeded.

S&N said Arthur Young, chartered accountants, came to this conclusion by including the debt of Elders' finance subsidiaries and the off-balance sheet arrangements for PubCo, the joint venture into which Elders has put its Courage pubs.

S&N questioned aspects of Elders' financial arrangements, including the fact that in 1988 Elders' dividends were covered only 1.1 times by profits excluding extraordinary items. S&N asked: "What proportion of future core operating profits are required to meet interest payments and dividends? How much would be left to reinvest in S&N's business?"

Mr Peter Bartels, Elders' head of worldwide brewing, said the defence document made spurious financial arguments and failed to address Elders key assertion: that S&N was a natural geographic fit with its own brewery group, Courage, which it acquired in 1986 from Hanson.

Elders said S&N had itself considered bidding for Courage when it was put up for sale.

S&N said in its defence document: "Courage was once a broad, well balanced business which held considerable appeal for S&N. It has since been weakened by asset disposals by successive owners, over-emphasis on Foster's and major restructuring."

Elders, in announcing its bid, hinted that it might sell off S&N's Thistle Hotel chain and that it would probably put S&N's 2,300 pubs into a similar venture to PubCo.

Elders also claimed that S&N was strategically at a loss and had problems in its brewing business which would be resolved in a merged group which could compete against major brewers such as Bass.

S&N countered by claiming Courage was poorly placed for the future. It said: "Courage is now poorly positioned for the future. It is trying to buy the success that it will find hard to achieve through organic growth."

Mr Alick Rankin, S&N's chief executive, said: "The measure of our brands must be that 80 per cent of sales go to the free trade. That is where people make free choices."

S&N's defence document disclosed that Mr Rankin, along with other S&N directors, had, since October 1987, exercised share options and sold them. Mr Rankin, for example, made a profit of £104,000 in December when he exercised options on 100,000 shares, at 110p per share, and sold them on the same day at 214p per share.

Mr Bryan Gould, Shadow Secretary for Trade and Industry, yesterday added his voice to calls for a referral to the Monopolies and Megers Commission.

See Lex

Trevor Humphries

Alick Rankin, chief executive of Scottish & Newcastle

End of a long saga as British Enkalon is wound up

By Laura Raun in Amsterdam

BRITISH ENKALON, a UK shell company which formerly belonged to Akzo of the Netherlands, is to be wound up in an anti-climactic end to a tortuous corporate saga.

A small minority of shareholders will be told at an extraordinary general meeting on Thursday that all chance of recouping their investments has been lost. Such an outcome was expected as long as four years ago.

British Enkalon was established in Britain in 1960 by the Dutch man-made fibre group, AKU, to establish a nylon plant in the UK. AKU subsequently became part of Akzo and maintained its majority shareholding in, and the London listing of, Enkalon.

British Enkalon's main asset was a fibres plant in Antrim, Northern Ireland, which was closed in 1982 as part of a massive restructuring of Akzo's loss-making fibres activities. Thereafter the company ceased to trade and its quotation on the stock exchange was withdrawn.

Akzo's efforts to streamline synthetic fibres, particularly those for textiles, began in 1975 and are still continuing. They reflect widespread reorganisation in the whole fibres industry.

In November 1984 Akzo sold its majority stake in British Enkalon to Industrial & Commercial Property Realisation & Development. Under the contract, Industrial & Commercial agreed to liquidate British Enkalon within five years.

All assets have now been disposed of and the proceeds used to repay creditors except for Industrial & Commercial, which has agreed to waive its debt claims. About £20 million in debts remain outstanding.

Akzo will receive nothing from the liquidation either as a creditor or former shareholder.

Hartley Baird surges 60% to £367,000

HARTLEY BAIRD, manufacturer of electric motors and components, yesterday announced an increase in profits to £367,000 pre-tax for the year ended April 30 1988, an improvement of 60 per cent over the previous year's £230,000.

The company, which has other interests in domestic appliances and precision engineering, said it was also proposing a redemption of its preference shares and a resumption of dividends on the ordinary shares via a final of 0.5p.

During the year Hartley acquired Axon Motor Rewinding, Roscoe Industries, Southern Tools and Light'n'Easy (Consumer Products). The directors said they were confident that all purchases would make a significantly increased contribution to group profits in the current year.

Hartley is reviewing a number of opportunities in related fields of activity and intends to continue expanding its trading base.

HT Hughes up 21%

H T Hughes, a waste management, quarrying and transport hire company which joined the USM in February, yesterday reported a 21 per cent improvement in profits to £1.07m pre-tax for the half year to August 31 1988. An interim dividend of 1.1p is being paid. Earnings worked through at 3.8p (3.5p) per 10p share.

Half-year turnover improved by £2.87m to £7.99m.

Baldwin acquires Oceangate for £6.16m

By Andrew Hill

BALDWIN, expanding leisure, printing and property group, is buying Oceangate, a property investment company, for £6.16m in shares, and is considering the sale of its original concrete and clay manufacturing operation.

Mr David Landau, Baldwin chairman, said yesterday that the company was hoping its leisure, printing and property activities would eventually make equal contributions to group results.

However, the future of the building materials subsidiaries was under review.

Mr Landau has been trying to turn Baldwin into a mini-conglomerate since he and a consortium of investors took control in May 1987.

The company is paying for the Oceangate acquisition by issuing 4.11m new ordinary shares to the property company's owners, at 150p a share.

This is a premium to yesterday's opening price of 140p, although the shares eventually closed at 160p. Additional shares will be issued at the same price if Oceangate's warranted net tangible assets turn out to exceed £6.16m on completion.

An investment company owned by Mr David Shamoon holds about 40 per cent of Oceangate, which has investments in commercial freeholds around London, with the balance of the equity in the hands of a number of overseas investors.

Mr Shamoon, who will hold 10 per cent of Baldwin after the deal, joins Mr David Barclay and Mr Frederick Barclay as a major shareholder in the expanding company.

The Barclay brothers' 25 per cent stake, acquired when they sold Keyline Continental, a tour operator, to Baldwin this summer, will be diluted to about 19 per cent.

Oceangate's properties include the Leegate Centre – retail units, offices and flats at Lee Green in south east London – and Burleigh House, an office block in Enfield.

The acquisition is conditional on Oceangate's properties being worth at least £15m on completion.

At the moment Baldwin's property activities are conducted through Vendlodge, acquired in January 1987.

SHARE STAKES

Changes in the following company share stakes were announced recently:-

Amstrad – Mr Jose Luis Dominguez, director, has disposed of 1.37m ordinary and retains a beneficial interest in 5.5m shares.

Aviva Petroleum – Ferris Investments has obtained rights to acquire 35m shares (approx 20 per cent).

Bardsey – R F Adair has become interested in a further 253,000 ordinary, increasing holding to 2.31m (10.1 per cent).

Bestwood – Mr J H Furlong, director, has acquired 278,000 shares, increasing his holding to 684,673.

Blenheim Exhibition – WGTC Nominees hold 875,000 ordinary (6.2 per cent) on behalf of Allied Dunbar Assurance.

City Gate Estates – London Property Developments has sold its holding of 425,532 ordinary (6.98 per cent). Provident Mutual Life Association has become interested in 550,000 ordinary (9.02 per cent, and 7 per cent assuming full conversion of the convertible shares).

Dundee and London Investment Trust – Govett Strategic Investment Trust has acquired 56,818 3¼ per cent (net) preference stock (13.37 per cent), making a total holding of 81,818 preference stock (19.25 per cent). The shares are registered in the name of West Nominees.

Fundinvest – Orion Insurance has sold its entire 7.9 per cent holding (878,500 shares).

India Fund – Barlane Nominees has acquired 1.29m ordinary (1.64 per cent), and now holds 4.98m (6.64 per cent).

Kewill Systems – Mountain-Dew is interested in 310,000 ordinary shares (5.1 per cent). Share capital of Mountain-Dew is held on discretionary trust by Cititrust (Cayman), with Birol Nadir as discretionary beneficiary.

Lee (Arthur) – GMF (Investments), wholly-owned subsidiary of G M Firth (Holdings), is interested in 2.78m ordinary.

London and Overseas Freighters – Robert Fraser Group, as principal and on behalf of clients, has purchased 14.5m preference ordinary (5.16 per cent).

LPA Industries – Rights and Issues Investment Trust has acquired 25,000 ordinary, raising its beneficial interest to 418,118 (5.24 per cent).

MAI – American International Group, through subsidiaries, has increased its holding to 21.8m ordinary shares (6.92 per cent).

Moss Bros – Quantum Fund of Curacao has increased its holding to 1.5m ordinary (9.2 per cent).

New Guernsey Securities – Mr R L Trapnell, director, has acquired 25,000 ordinary and is now interested in 285,000 (14.25 per cent).

Newman Tonks – Scottish Amicable Investments Managers has increased its holding to 3.35m ordinary shares (5.29 per cent).

Rights and Issues Investment Trust – Greig Middleton, on behalf of clients, has purchased 627,500 capital shares and 104,000 income shares (21.7 per cent). Morris and Co. Trust Fund, also acquired 15,000 capital shares in the name of Greene Nominees, and now holds 90,000 shares (5.63 per cent).

Sema Group – Cap Gemini Sogeti has acquired 260,000 ordinary and now holds 16.98m (19.25 per cent).

St Modwen Properties – Directors have increased their holdings of ordinary shares as follows: Mr S W Clarke, 50,000; Mr J D Leavesley, 50,000; Mr C H Lewis, 31,000; Mr C C A Glossop, 20,000; and Mr P E Doona 10,000.

Takare – Singer and Friedlander Group holds 1.53m ordinary (17.495 per cent). A further 145,902 (1.672 per cent) are held on behalf of customers in investment portfolios managed on a discretionary basis by Singer and its subsidiaries.

Tranwood – Mr J N Oppenheim, deputy chairman, has increased his holding to 3.25m ordinary (3.77 per cent).

Triplevest – Orion Insurance has bought 1.3m income shares (5.41 per cent) and now holds 3.45m (14.37 per cent).

UK COMPANY NEWS

N Brown slips and warns of large second-half fall

By Maggie Urry

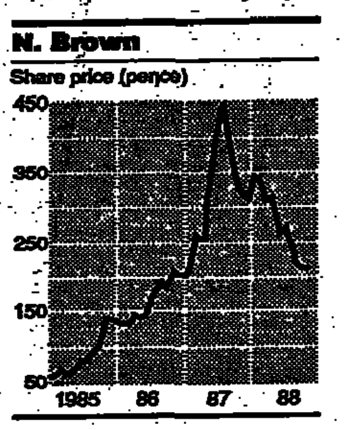
A SMALL fall in interim profits and the warning of "a very significant reduction in pre-tax profits in the second half" from N. Brown Group, mail order group, caused its shares to fall 22p to 180p yesterday. Pre-tax profits were 3.4 per cent down at £4.7m, on sales 24.4 per cent ahead at £51.3m.

Mr David Alliance, chairman, said: "The postal strike coincided with the launch of our autumn/winter catalogues and, although it is too early to assess its full effect, it has already led to a significant loss of sales."

Mr Alan Dean, chief executive, said that about £10m to £12m of sales had been lost in the strike, which probably would not be recouped later in the season. The effect on margins would be major, with high stock levels pushing up interest charges, and lost profits possibly amounting to £5 or £6m.

Brown has already given the contract to deliver 13,000 parcels a day to an independent group, and is negotiating its new contract with the Post Office with the view to recouping its lost business through lower charges in future.

However, the problems of the first half, covering the 26 weeks to September 3, largely preceded the postal strike. Mr Dean said that the group had



budgeted for a percentage sales increase in the mid-30s on the mail order side, in line with the group's previous experience of rapid sales growth.

But sales rose by only 22 per cent to £47.2m, £5m less than expected. Of that 22 per cent, 15 per cent came from existing catalogues and 7 per cent from two catalogues acquired last year. Substantial amounts had already been spent on marketing, and mail order profits fell from £3.9m to £3.8m, with margins 2 percentage points lower at 8.1 per cent. The figures also bore a £500,000 cost incurred in reorganising the warehouses.

Profits from the financial and property services division fell from £1m to £900,000. Dunlop Heywood, consultant surveyor, "had an excellent half-year", Mr Alliance said. However, Morfitt and Turnbull saw much lower profits. This was mainly because profits of its fund management activities depend on front-end fees from new money invested and that business had suffered after the stock market crash a year ago.

Earnings per share were 7.5 per cent lower at 5.82p and the interim dividend is unchanged at 1.5p.

● COMMENT

Brown has done the decent thing in revealing the extent of its problems, and the clear indication is that a maintained final dividend should be covered by earnings, unless any new disasters appear. The balance sheet is carrying a higher level of debt, though a rights issue is probably not necessary. Once the year is over Brown should resume its growth pattern, although a year has been lost, and the balance sheet may bear the scars for a bit longer. But the longer term effect is on customer confidence and perhaps also on investor confidence – heavy dependence on the Post Office may lessen the perceived quality of earnings. With Mr Alliance's family controlling a majority of shares a hostile bid is highly unlikely. The share price may be in limbo for some time.

Charterhall buys more Hornby and lifts stake to 15%

By Vanessa Houlder

CHARTERHALL, an investment vehicle steered by Australian entrepreneur Mr Russell Goward, has increased its stake in Hornby Group, USM-quoted toy manufacturer, by 4.5 per cent to 15 per cent.

Hornby also revealed yesterday a £2m cash and paper acquisition of Fletcher, a manufacturer of sportsboats and accessories.

Charterhall said yesterday that its interest in Hornby was aroused by its good products, brand names and management and its undervalued share price.

As a contra cyclical investor, Charterhall intended to be a long-term holder of the shares although it did not rule out a move to a full bid.

Mr Alan Cox, finance director of Hornby, said that the company was feeling "quite comfortable" with the Charterhall stake.

Through gradual stake building, Charterhall now holds 17 per cent of Corah, a textiles group, 25.3 per cent of Bridport-Gundry, a netting manufacturer, 9 per cent of Atkins Brothers, a textiles and electronics company, and 23.7 per cent of A Goldberg, a clothes retailer.

The Fletcher deal, which is the first since Hornby joined the USM in December 1986, is in line with Hornby's strategy of expanding in the leisure sector through acquisitions that emphasise brand names and marketing.

The acquisition is comprised of Staffordshire-based Norman Fletcher, which designs and manufactures sportboats and accessories, and Miles Products, which makes boat trailers.

The vendors have warranted that the combined pre-tax profits for the year ended September 30 will be at least £300,000, with assets of at least £1.5m.

Bardon full listing

Bardon Group, quarrying and building products company, will shortly announce plans for a listing on the main market. The group announced its intentions yesterday as it sold its plant and tool hire operation to BET for an undisclosed sum.

Apollo for USM

Apollo Watch Products is joining the Unlisted Securities Market via a placing which values the group at £9.75m. Jacobson Townsley is placing 12m shares at 20p each. The directors are forecasting profits of not less than £1m (£692,000).

COMPANY NEWS IN BRIEF

AMBROSE INVESTMENT Trust: net asset value of capital shares on October 31 was approximately 612.7p (597.92p in previous month).

DOWDING & MILLS: Annual meeting told that one-third into its new financial year the company's trading had continued the firm trend reported in the statement with the accounts. Directors were confident of improved results for the year to June 1989.

GKN is to seek a listing on the Tokyo Stock Exchange later this year. To support the listing it plans a limited issue of up to 7.5m new ordinary shares through a public offer in Japan, representing about 3 per cent of its currently issued share capital.

GUINNESS is to seek a listing on the Paris Bourse.

IMPSHIRE THOROUGHBREDS, formerly Stallion Investments, reported a pre-tax loss of I£405,000 for the seven months to June 30 on turnover of £691,000. The an extraordinary debit of £148,000 relates to the acquisition costs of Impshire. Loss came through at 6.8p per £1 ordinary share. In the ten months to November 30 1987, a loss of £9,898 was incurred (£60,162 profit).

KETSON has exercised its rights under an agreement made on May 26 and has acquired a further 50 per cent of Whitelion Facilities, bringing its holding to 75 per cent.

KOREA-EUROPE Fund: net asset value per share at October 31 was $19.36, down from $19.64 on October 17.

MEYER INTERNATIONAL has bought, for £2.5m, two sites – one near Bristol, one in Gloucester – to be developed as branches of Jewson, its builders' merchant subsidiary.

NEWMAN TONKS Group has acquired Aquapower and Power Pumps for up to £650,000 cash – £273,000 being the initial consideration. Both companies operate in the power shower market.

NORTH SEA Assets has exchanged contracts for the sale of the Aberdeen-based interests (the provision of diving equipment and services) of its British Underwater Engineering subsidiary for £850,000 cash. The companies incurred an operating loss of £166,000 for 1987. Purchaser is Northern Coasters, part of Stena Holdings (UK).

NORTH WEST Exploration: The offer made for the company by Oliver Resources has been accepted in respect of only 971,938 shares and has been extended to November 18.

TAWNEYDOWN has declared wholly unconditional its offer for the ordinary and deferred ordinary share capital of MY Holdings. On November 4 acceptances had been received in respect of 31.15m MY ordinary (78.6 per cent) and in respect of 762,943 MY deferred ordinary (55.7 per cent), making a total of 31.92m (77.9 per cent). The offers, including the loan note alternative, have been extended to November 18.

TR ENERGY has bought in the market a further £410,000 8¼ per cent (formerly 8 per cent) convertible unsecured loan stock 1997/2001 for cancellation. The outstanding balance is £5.09m.

WESTFIELD INTERNATIONAL, US operator of shopping centres, will pay an initial dividend next April during its first full year of operation the annual meeting was told. A number of projects planned in the short-term would cost about $120m and other projects were being evaluated.

Associated British Foods

Half Year Progress Report

	Six months to 1 October 1988*	Six months to 26 September 1987*	Year to 2 April 1988
	£ million	£ million	£ million
Turnover	**1,153.0**	1,068.0	2,272.0
Trading surplus	**57.1**	53.4	133.9
Interest payable	**2.8**	2.6	5.7
	54.3	50.8	128.2
Investment income	**35.0**	31.9	82.2
Profit on ordinary activities before tax	**89.3**	82.7	210.4
United Kingdom tax	**17.4**	19.7	44.2
Overseas tax	**12.5**	10.6	26.6
Profit on ordinary activities after tax	**59.4**	52.4	139.6
Minority interests	**2.0**	1.6	3.1
Profit on ordinary activities attributable to the company	**57.4**	50.8	136.5
Extraordinary items	**2.5**	1.7	(27.6)
	59.9	52.5	108.9
Ordinary dividends			
1st Interim	**12.5**	11.2	11.2
2nd Interim	—	—	25.9
Earnings per share before extraordinary items	**12.8p**	11.4p	30.5p

*Half year figures unaudited.

The Chairman, Mr. GARRY WESTON, reports:

The profit before tax has increased by £6.6 million to £89.3 million. This is an 8 per cent improvement over the first half of last year. After providing for taxation and minority interests, the profit attributable to the company has increased by 13 per cent to £57.4 million.

Worldwide sales also showed an 8 per cent increase of £85 million to £1,153 million, whilst the trading surplus was 7 per cent higher at £57.1 million.

In the United Kingdom, with little inflationary effect on the price of manufactured food products, group sales showed a satisfactory 8 per cent increase to £751 million. However, resulting from last year's poor harvest and the subsequent under recovery of costs, margins in our baking division remained under pressure. The recent summer's poor weather has also adversely affected the results of our companies engaged in the manufacture and distribution of frozen foods. In spite of satisfactory growth reported by our other manufacturing divisions, trading profits in the United Kingdom increased by a disappointing 4 per cent to £35.6 million, a below budget figure.

Overseas sales at £402 million and trading profits of £21.5 million increased by 8 per cent and 11 per cent respectively after taking account of currency realignment, which had the effect of reducing sales by some £4 million but marginally increasing profit. George Weston Foods in Australia showed further growth and in terms of local currency increased sales and profits by 10 per cent and 14 per cent respectively. Market conditions in Australia were extremely competitive and the company suffered from industrial disputes. Australian results were converted at 2.15 dollars to the £1.

The group investment income is £3.1 million higher at £35.0 million and this increase was achieved during a period when average interest rates were similar to the same period a year ago. The return received on our funds under management, whilst showing an improvement on those achieved a year ago, was nevertheless below budget following the interest rates fluctuations in July and August.

The tax charge at 33.5 per cent compares with 36.6 per cent last year. This decrease arises mainly from the reduction in the Australian tax rate to 39 per cent (49 per cent) and our company's higher proportion of investment income.

As reported in the 1988 annual accounts, the group disposed of its investment in Deutscher Supermarkt Handels-GmbH in May 1988. No income from this company has been included in group profits in previous years and the profit on sale of some £51 million, less provision for capital gains tax, will be added to extraordinary items in the profit and loss account for the year.

Although we anticipate no easing of the competitive conditions in the markets in which we operate at home and abroad, the maintained expenditure on new product areas and efficiencies, together with planned sales growth, will enable us to produce a satisfactory result for the year.

At a Board Meeting today the directors declared a first interim dividend of 2.8p per share (1987 – 2.5p) which, together with the associated tax credit, is equivalent to 3.73p per share (1987 – 3.42p). This interim dividend will be paid on 6 March 1989 to shareholders on the register at the close of business on 3 February 1989.

Associated British Foods plc
Weston Centre, 68 Knightsbridge, London SW1X 7LR

UK COMPANY NEWS

Delta buys US cable maker in $33m deal

By Vanessa Houlder

DELTA, electrical equipment, engineering and industrial services group, yesterday announced a $33m (£18.6m) acquisition of FL Surprenant, a US cable maker from FL Industries.

Surprenant, which is based in Massachusetts, produces specialist high technology cables for defence, energy, transport and other industries.

The deal is the latest of 11 acquisitions made over the past 18 months through which Delta has spent £65m on specialist businesses in its three core areas. The acquisition, which is the first in this series to be made in the US, reflects Delta's decision to expand its small base in North America.

The deal will give Delta access to Surprenant's technology for high performance cables. With techniques such as 'curing' cables with electron beams and tailored insulation production, Surprenant can improve the performance of cables in areas such as flame resistance and low smoke and fume emissions.

Delta said that it expected these improvements to help its cable business satisfy the trend in European markets towards higher performance products and improved safety standards.

Surprenant made pre-tax profits of $4.1m in 1987. Delta is acquiring assets valued at about $24m. The cash acquisition is expected to leave Delta with gearing of between 5 per cent and 10 per cent.

Unilever expands further in the US

By Christopher Parkes, Consumer Industries Editor

UNILEVER, the Anglo-Dutch consumer products group, yesterday added to its non-retail food interests in the US with the purchase of Pennant Products, a privately-owned bakery goods company.

Pennant, which sells frozen dough, mixes and fillings to in-store bakeries in supermarkets, caterers and food manufacturers, is based in Rochester, NY.

It has factories at Rochester, in Texas, Georgia and Minnesota, and employs 390 people.

Terms of the sale were not disclosed.

Although Unilever is a leading supplier to the bakery industry in Europe, its US food operations have traditionally been focused on branded goods for retail distribution.

However, last week it paid $185m (£104m) for Durkee Industrial Foods, a subsidiary of Hanson, the UK based conglomerate.

Durkee, which specialises in bakery goods for food manufacturers, edible oils and coatings, last year made operating profits of more than $11m on sales of $174m.

TT in £5.75m Beatson sale

By Philip Coggan

TT Group, the former Tyzack Turner, has acted swiftly to dispose of the plastic bottle manufacturing arm of Beatson Clark which it acquired in August.

Beatson Plastics is being sold for around £5.75m to a subsidiary of Cope Allman International, the amusement machine, packaging and engineering group.

TT made an agreed £30m offer for Beatson Clark in August.

Quarto in £700,000 silkscreen expansion

By Andrew Hill

QUARTO GROUP, the book and magazine publisher quoted on the Unlisted Securities Market, is further expanding its silkscreen printing activities with the £700,000 cash acquisition of AP Screenprinters, based in Maidenhead.

AP specialises in screen-printing for the leisure and retail sectors, producing in-store promotional displays for retailers and manufacturers.

In 1987, Quarto, which has recently bought Lefax, the manufacturer of personal organisers, acquired Western Signcraft, a Bristol-based screenprinter.

Mr Laurence Orbach, Quarto's chairman, said yesterday that the group was looking to acquire a third screenprinting company.

In the year to September 1988, AP returned adjusted profits before tax of £150,000 and had negligible net assets.

FINANCIAL TIMES SURVEY

Pharmaceuticals are prospering thanks to entrepreneurial verve, heavy R&D expenditure, and Government regulation. But challenges lie ahead. They include demographic change, scientific advance, cost-cutting and safety issues. Peter Marsh reports

ICI pharmaceutical division's research headquarters, near Macclesfield, Cheshire

Pharmaceuticals

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Peculiar stresses

AN ENTREPRENEURIAL high-tech industry, a social service, a vehicle of government policy. All these descriptions at least partially fit the characteristics of the $100bn-turnover international pharmaceutical industry, a multi-faceted business which is by no means easy to understand.

The chameleon-like nature of the sector manifests itself in the peculiar stresses to which the industry is subjected.

There is often more than a hint of glamour about the industry, with its emphasis on scientific skills being translated into world-beating new drugs.

This was emphasised last month with the award of a share in the 1988 Nobel prize for medicine to Sir James Black, one of Britain's foremost pharmaceutical researchers who has had a hand in inventing two top-selling formulations – the Tagamet anti-ulcer medication sold by Smith Kline & French Laboratories and ICI's heart drug Inderal.

The drug industry's links to efforts to safeguard people's health, a basic policy aim of virtually all countries, inevitably places the industry in the mainstream of political processes affecting healthcare. As a result, the business is greatly affected by the actions of governments, which in many nations are the main purchasers of pharmaceuticals.

The sector is inevitably subject to whatever pricing policies for drugs happen to exist in the country concerned.

Governments in most developed nations also play a big part in regulating sales, at least indirectly, as a result of tough licensing procedures to ensure drugs are safe and work properly.

The severity and time-consuming nature of these regulatory processes are sometimes the subject of complaint from drug company representatives on the grounds that they delay products going from the testing stage to the market.

Governments may also view the pharmaceutical sector as a vital element of science-based industry, an area of commerce which, in Western Europe especially, state authorities have been keen to promote in recent years.

Different nations are likely, as a result, to implement various mechanisms to stimulate sales of their domestic drugs industries as a way of helping to generate wealth and employment.

In the case of the drugs business the fact that the state frequently is a monopoly or near-monopoly purchaser makes it relatively easy to implement a policy that recognises the drugs area as a high-tech activity to be helped.

In many West European nations encouragement of the indigenous medical products industry boils down to efforts to favour locally-based companies when setting prices for pharmaceuticals. This is done on the basis that such a policy should lead, in theory at least, to stability for local suppliers and a good base for them to operate the expensive research and development programmes on which much of the long-term success of the industry depends.

The strategy has worked particularly well in Britain, which is the home of a booming drugs industry with an annual output of £4bn and a balance of payments surplus of £800m.

Government regulation – with the mixture of benefits and disadvantages which this can provide – acts as a constant backcloth to the industry's activities and has a huge influence. But many of the world's top pharmaceutical companies have shown considerable qualities of their own in the area of entrepreneurial verve.

This can be seen both in the management of research strategy which is a fundamental part of getting products from the laboratory stage to the commercial arena and in the marketing programmes required to build up sales thereafter. Companies in the industry commonly spend 12-15 per cent of their sales on research and development, considerably above the percentages which are the norm in other high tech sectors such as electronics and telecommunications.

The large sums are partly a factor of the intrinsic difficulties involved in drug discovery and also of the complex trials required to determine safety and efficacy.

The disproportionate nature of the resources which the sector as a whole devotes to R&D can be seen in particular in the UK. The drugs sector is not a particularly important industry in terms of Britain's total sales, accounting for less than 2 per cent of gross domestic product. But its research spend of £700m a year accounts for a much higher proportion – 8 per cent – of the country's total R&D expenditure counting both government and industry programmes.

Unlike many other sectors of commerce, the UK drugs business finds virtually all this research cash itself. However, it can be argued that the existence of a UK drugs price-regulation scheme which operates in favour of locally based suppliers is an incentive to invest in research and underwrites, indirectly at least, some of the sector's R&D spending.

Apart from Britain, the US, Switzerland, West Germany and France all have healthy trade balances in pharmaceuticals.

A look at the structure of the industry reveals a high degree of concentration. Altogether, there are about 10,000 companies involved in pharmaceuticals around the world. Of these, the top 100 account for roughly 80 per cent of total sales, according to a recent report* on the world pharmaceutical sector from World Health Organisation. Drug consumption is similarly concentrated, with the 25 per cent of the world's population living in the developed countries responsible for about three-quarters of total drug purchases.

In terms of overall markets, North America accounts for 30 per cent of all sales, with Western Europe slightly behind at about a quarter. Roughly 15 per cent of the total market is in Japan.

About four-fifths of all drug sales may be categorised as so-called ethical drugs, which are available only on a doctor's prescription, while the rest are sold with relatively few restrictions over the counter in retail outlets.

At the top of the tree in the pharmaceutical world are a group of 10 or so large companies with marketing and production operations in all the main countries and annual sales in the $2bn to $3bn range. These companies are often highly profitable.

This category includes Merck, American Home, Lilly, Abbott and Pfizer of the US, Hoechst and Bayer of West Germany, Britain's Glaxo and Switzerland's Ciba-Geigy and Sandoz.

So far at least, Japan is not a major world player in drugs. Although the country has some big drug companies (the largest of which is Takeda) they operate mainly in Japan, which is the world's second biggest pharmaceutical market after the US.

Slowly, however, the Japanese companies appear to be becoming more internationally-oriented. Often the Japanese industry prefers to license products to non-Japanese companies to sell overseas rather than to market its products itself outside its home territory.

Over the next few years several factors are likely to be of increasing importance in the pharmaceutical industry:

- **Drug demand.** In the past decade, pharmaceutical industry output has risen at a healthy rate, in many developed nations at about 10 per cent a year. Observers in the business believe this state of affairs should continue for the foreseeable future.

Unlike many consumer goods, use of drugs is virtually unaffected by recessions. Furthermore, with a more affluent, educated population in many industrialised countries who are more aware of health matters, general interest in using medications can be expected to continue to rise.

- **Demography.** Another factor which should help the drugs sector is the changing age profile of the population in many parts of the developed world, with the proportion of old people increasing at an accelerating rate. This cannot but help the healthcare business on the grounds that elderly men and women consume more medicine than young ones, particularly because of age-related diseases like heart disease – which is to the number one killer in many countries.

- **New scientific techniques.** The use of genetic engineering to come up with new drugs, and other areas of bioscience which give greater understanding of how proteins and other naturally occurring mechanisms are involved in disease processes, may give the healthcare industry powerful tools to help in developing new products. Some of these methods may help researchers to be more selective about finding chemicals which may fight specific ailments, possibly cutting out some time-consuming procedures in current research and reducing costs.

Biotechnology-linked research methods could make it possible to come up with product breakthroughs to fight conditions like cancer and AIDS.

- **Brain research.** Another important set of research advances is throwing fresh light on the workings of the brain. That may be important in the development of new medications to help personality and mental disorders, as well as specific conditions like migraine.

The brain is now recognised as an area of medicine where many problems are difficult to treat with any reliability using existing drugs.

- **Government cost cutting.** Less helpful than these factors to the healthcare industry is the increased desire by many governments to reduce their pharmaceutical spending. This is already putting pressure on the industry in Japan and West Germany.

- **Safety issues.** Controversies over drugs like Opren, a Lilly-

Continued on page 5

Drug purchase and regulation closely involve governments

The state's ubiquitous role

THE NEXT time you go into a supermarket, imagine all the goods you select to take home are consumed by someone else. Imagine also that another person pays for them. This topsy-turvy situation is analogous to what happens in much of the world's pharmaceutical industry.

In most countries choice over purchases of prescription drugs is left to doctors. The physician neither uses the pharmaceutical – that of course is the province of the consumer – nor picks up the bill. Paying for the product is normally left to another party: either a government health agency or an insurance company.

In some countries, including the US and some West European nations, the consumer may make a direct contribution to payments, though this is generally small.

The stresses this state of affairs places on purchasing patterns go a long way to explaining the peculiar nature of the world's drug industry and why many of the rules and practices which govern other business sectors do not apply.

Many of the tensions in the industry follow on from the ubiquitous role in drug purchases and regulation of government departments. In many countries in the developed world, the state gets involved in pharmaceuticals in five main ways.

● Procurement. The government health agency in many countries is the biggest purchaser of drugs, sometimes acting in partnership with a private sector insurance organisation. Hence governments have a big role in pharmaceuticals purely from a purchasing point of view. Although the consumer indirectly pays through taxation, the involvement of the state removes him or her from exercising choice over the medication based on price – one of the normal factors which influence selling patterns for many other types of consumer goods.

● Licensing. The state plays a big part in determining which pharmaceuticals enter the market in the first place and which then become available for consumption. It does this through establishment of rigorous testing procedures which drugs in development must comply with to ensure they are safe and work efficaciously. Assuming they pass these tests the products get a licence to become generally available. The existence of the trials, and the volumes of data which a pharmaceutical maker must produce to prove they have been executed properly, adds to the expense and time in bringing a medication from the invention stage on to the market.

● Industrial strategy. Governments, as a result of their monopoly or near monopoly over drug purchasing in their territories, often try to use drug purchasing as a vehicle of industrial policy. By favouring locally based drug suppliers – this can be done by letting them charge higher prices than concerns established outside the country concerned – the government agency can stimulate a strong domestic pharmaceutical sector. In some countries, Britain and West Germany are good examples, this policy has worked effectively and has led to strong domestic healthcare businesses which are significant employers and exporters.

● Patents. Governments are the final arbiters of patent protection, a much more important aspect in pharmaceuticals than in many other industries. In such businesses, engineering and electronics for example, general technological know-how which is difficult to protect legally, rather than a given arrangement of mechanisms which can be patented is likely to be the fundamental factor determining whether a specific product sells well.

In drugs, in contrast, technological expertise may be important, but the sales of the item in question depend crucially on the chemical formula of the product – which is relatively easy to patent. Especially in the light of the long development times prevailing in the drugs world, the rules laid down by governments over length and conditions of patent protection are likely to be important in influencing the commercial success or failure of a new medication.

● Generic substitution. Partly through policies linked to some of the above four areas, governments can try to reduce their drugs bills by boosting the use of generic drugs - copies of off-patent branded pharmaceuticals which are normally significantly cheaper. In the US, in particular, generic drug sales have risen rapidly in recent years and now account for about 30 per cent of total pharmaceutical revenues.

There is often a tension between the mainstream reseach-based drug industry and companies which concentrate on generic copies. The former often blame the generics concerns for eating into their sales and doing all they can to erode patent protection. The research-based drug industry in many developed nations direct particular antipathy towards producers of generic drugs based outside these nations. These producers sometimes ship in large quantities of products which are said to be chemically the same as the branded counterpart but may have been made to lower quality standards.

Pharmaceutical companies are frequently in at least some measure of conflict with government agencies over all five of these areas. Pricing is always a controversial issue. Many drug companies spend a lot of their time lobbying governments to allow what the businesses say are fair prices to permit them to recoup their high research and development costs.

The issue has been especially important in recent years in West Germany and Japan, where the governments have been attempting to cut healthcare spending.

In the US, the biggest pharmaceutical market, there is general complaint by the drugs industry at the length of time, which can often be several years, which it takes for the Food and Drug Administration to assess medications' efficacy before they are allowed to go on general sale. As at least a partial compensation for the industry, however, under a federal law enacted in 1984 the FDA can grant patent extensions of up to five years in the case of drugs which have been held up for particularly lengthy periods in the assessment stage. That can lead to an extension of the normal patent life in the US of 17 years – which provides an extra period in which the drug company can market its product free from competition from generics businesses.

In Western Europe, healthcare companies are continually lobbying for a system along these lines to be introduced. The standard patent life on the Continent is 20 years, but allowing for a development period of 8-12 years, drug companies often only have as little as 8 years left of the patent period in which to market a new formulation after the product has been licensed.

The case of the European Community, with its proposed dismantling of trade barriers by 1992, poses extra questions of government regulators. Under the planning for the post-1992 period, the rules over drug pricing and licensing for the whole of the EC are due to be harmonised to free up trade in drugs between the different countries. Given that the rules over these areas at present vary widely between the individual nations, this issue will present severe problems for the officials working on the subject over the next few years.

Peter Marsh

World leaders in pharmaceuticals*

Company	Country of origin	Total revenues	Pharmaceutical revenue	Other activities
Merck	US	5,061.3	4,227.0	
Ciba-Geigy	Switzerland	10,576.3	2,983.6e	Agrichemicals,chemicals
Hoechst	West Germany	20,565.4	2,808.1e	Agrichemicals,plastics, fibres
Glaxo	UK	2,632.0#	2,632.0	
Takeda	Japan	4,129.3†	2,432.2	Chemicals
American Home	US	5,028.3	2,359.4	Hospital supply, consumer
Pfizer	US	4,919.8	2,331.2	Medical equipment, chemicals
Sandoz	Switzerland	6,024.2	2,314.7e	agrichemicals,chemicals, nutrition
Eli Lilly	US	3,643.8	2,271.4	Agrichemicals, diagnostics
Bristol-Meyers	US	5,400.8	2,217.1	Consumer products

*Top ten companies ranked by pharmaceutical revenues 1987. #Year end June '87. †Year end March '88. e = estimate
Source: Robert Fleming Securities

RESEARCH AND DEVELOPMENT

No guarantees of success

TO WORRY or not to worry? That is the question that investors in the pharmaceutical sector face when they take a look at the bill for research and development.

Consider Glaxo. It has earmarked £500m for a new research centre. Is that profligate? Or a sign of desperation? Perhaps it is simply keeping ahead of the Jones's, an indicator of the company's prosperity and confidence.

The answer is that there is no easy answer. There are plenty of promising areas for research which hold the promise of huge sales: AIDS, migraine, cancer and growth hormones. The problem is how to turn ideas into mass-production of drugs.

It costs a lot to create a new drug – the usual industry figure is £100m to £120m. Cash is no guarantee of success. Du Pont bought the pharmaceuticals unit of Baxter Travenol two years ago for $425m and is spending $150m a year on R&D without much to show in terms of big selling products so far. A score of merely promising products in the pipeline has only a negative effect on the bottom line.

A company's track record may be a better indicator. It can provide a form guide to the effectiveness of research philosophy and expertise. But it is more widely held that key individuals can make or break a company. Last month's Nobel laureate for medicine is a case in point. Sir James Black, headed R&D teams which produced top selling drugs for ICI, Propanalol to slow the heart, and the anti-ulcer treatment cimetidine for Smith Kline.

Sir James also revolutionised research techniques in a way that seems likely to affect the sorts of companies which will be successful developers of new medicines. The traditional route to the breakthrough, jokingly called bucket chemistry, is to take a chemical you know has both beneficial properties and bad side-effects. You perform a variety of processes to it and see whether you have eliminated whatever was wrong. Repeat until you hit on the right chemical.

What Sir James pioneered was a more logical approach: identify in advance and in detail what specific biochemical interaction needs to be blocked or stimulated and design a molecule to do that job. The cost advantage comes from a sharp reduction in the number of chemicals screened.

Ironically the change that Sir James pioneered for giants of the industry is likely to make it easier for smaller companies to make an impact. "Big research centres are geared to producing thousands of chemicals and to begin the long process of screening out the duds," said Dr Kevin Wilson, pharmaceuticals analyst at Philips and Drew. "Now it is once again possible for a group of talented dedicated workers to lock themselves away for a few years and come up with an effective drug."

But finding the drug is only the start of the R&D process. Of the £668m spent by British drug companies on R&D in 1987, only about 30 per cent went on the R. Time is what costs in development. The complexities of clinical testing and regulations can take the best part of the 20 year patent granted to new drugs. "Small companies can make breakthroughs, but will have all the disadvantages of a vertical enterprise, said Professor Trevor Jones, Wellcome's Director of Research, Development and Medical. "The crunch will come in development and sales."

There are three phases in the establishment of a chemical as a marketable drug: Phase I, testing the drug on healthy people; Phase II, testing the drug on ill people to see if it has the desired effect; Phase III, testing in competition with placebos and, in some cases, against competitor drugs.

Phases I and II test the efficiency of a company's research philosophy and skills – how quickly can pharmacological blind alleys be identified as such. But the key to subsequent status as star drug or also-ran is in Phase III.

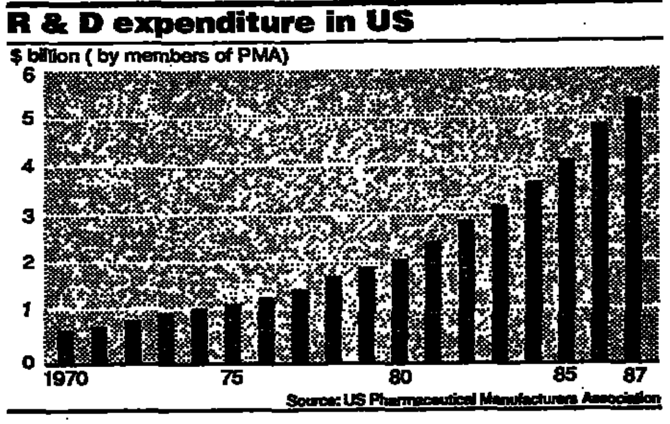
Research effort: selected US/Europe companies

	Personnel	Spend($m)
Merck & Co.	4,600	510
Glaxo	4,000	405
American Home	2,400	200
SmithKline	2,500	340
Pfizer	2,400	320
Johnson & Johnson	2,600	335
Sandoz	2,500	390
Eli Lilly	2,900	375
Bristol-Meyers	2,500	275
Roche	3,000	470
Upjohn	2,000	320
Squibb	1,200	205
Warner-Lambert	1,400	185
Schering-Plough	1,600	200
American Cyanamid	1,350	190

Source: Warburg Securities

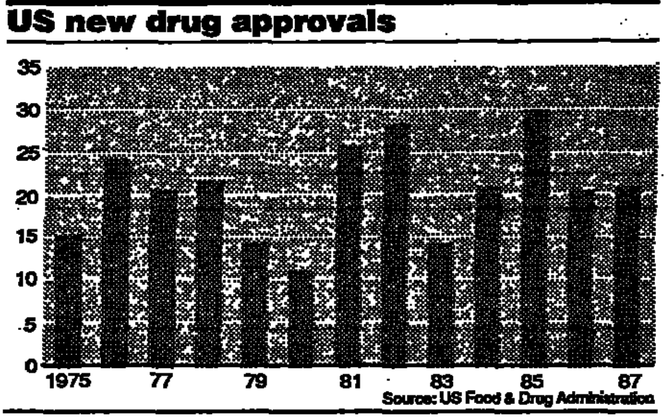
R & D expenditure in US

$ billion (by members of PMA)



Source: US Pharmaceutical Manufacturers Association

US new drug approvals



Source: US Food & Drug Administration

The world's biggest selling drug, Glaxo's Zantac anti-ulcer treatment, made its name in just such head-to-head Phase III competition. "It was shown to be better than Tagamet [made by US rival SmithKline Beckman] and could sustain a premium price," said Dr Wilson. "Glaxo's is a case of a company being made by a molecule."

Phase III testing has to be carried out in many countries simultaneously for four compelling reasons:

● Licensing. Many countries have rules that require some of the testing of a new drug to be carried out there. Japanese regulatory authorities, for example, argue that the physiology of the Japanese people is different enough from those in the West for the necessity of separate tests to be carried out there. "There are isolated cases where this is true, but in general it is not," said Professor Jones.

● Marketing. Companies pay to do trials. US doctors can be paid over $1,000 per patient and in a big trial there are several thousand patients. Convincing the right doctors of the advantages of a drug is a prerequisite for success: most of the world's drug buying decisions are made at a national or regional level partly on the basis of advice from the medical profession.

● Pricing. The success of Zantac in comparative tests meant that it could sell at a premium price which, in turn, could be sustained in the key US market because doctors there are keen to prescribe the best drug available. This is not only out of fear of litigation from patients asserting inadequate quality of treatment, but also because insurance companies usually pick up the bills anyway. The need to generate a high launch price is strong in Japan. "Being demonstrably better than the competitor is particularly vital in Japan, not least because the price falls quite quickly after launch as the Government tries to keep a lid on costs," said Dr Wilson.

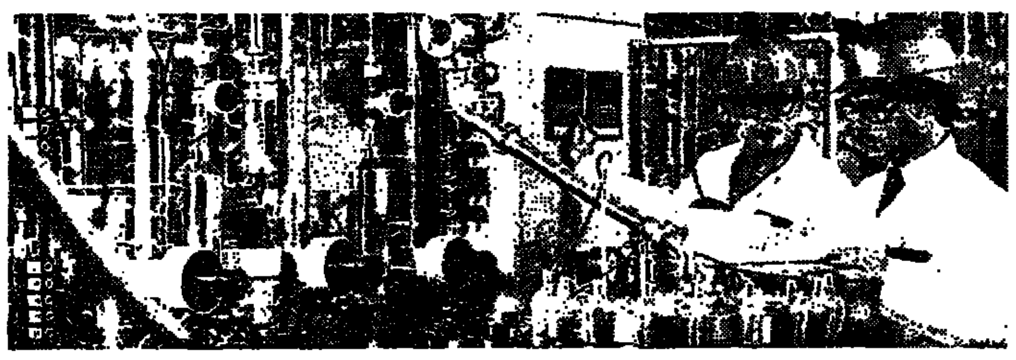
● Intelligence. With research going on simultaneously in different laboratories around the world, research centres double-up as listening posts to keep up with new developments.

Internationalisation will bring in new competitors. A relatively unknown quantity is the impact of new Japanese R&D will have on markets outside Japan. Professor Jones identified three companies to watch out for: Takeda, which has had a joint venture with Abbott laboratories of the US for several years, Kanabe and Fujisawa.

Daniel Green

BIOTECHNOLOGY

Buzz-word to research tool



BASF's biotechnological pilot plant: now a standard part of pharmaceutical R&D

IN THE past few years biotechnology has ceased to be a pharmaceutical industry buzz-word and has become a basic research tool. The term describes a range of scientific procedures concerned with altering genetic material in living organisms either to develop new biological entities or make existing natural processes more efficient.

Several dozen companies have been formed in the past decade to exploit the novel principles of biotechnology commercially. Virtually all the big drug companies have taken on board these concepts to make them a standard part of their library of techniques in research and development.

Many of the new biotechnology methods have evolved from experiments in the mid-70s involving the identification and manipulation of genes – the biological fragments that both act as the code for the reproduction process and provide instructions for making the proteins on which the bodies of animals depend.

According to many in the pharmaceutical industry, these gene-based research methods provide valuable adjuncts to the traditional way of producing drugs. This last route essentially comprises testing a stream of different chemicals on a piece of biological material – either in a test tube or in a live animal – to see if it produces a change in a natural process.

The problem with the conventional methods is their hit-and-miss nature. With biotechnology, it is argued, scientists can first understand the way genes influence the course of specific diseases – cancer could be a good example – and then design a new drug purpose-built to interfere with this process to stop the disease or hold up its advance.

The key to making the biotechnology-based ideas a useful part of drug discovery lies, so many observers believe, in grafting the new methods onto the traditional techniques of synthetic chemistry which have underpinned the pharmaceutical industry up to now.

This boils down to producing a fragment of biological material, perhaps based on a naturally occurring protein, that acts in a prescribed way. It can then be added to a conventionally synthesised chemical of such a structure that it is easily accommodated in the human body and has minimal side-effects.

Mr David Leathers, director of Abingworth, a London-based venture capital company which specialises in biotechnology, says that already the pharmaceutical industry is starting to bring together these disciplines. Increasing numbers of the drugs passing through the research pipelines of the big pharmaceutical companies owe at least some part of their development to biotechnology techniques, he claims.

The pace of progress in biotechnology has, however, been slower than some imagined it would be during the late 1970s when there was a rush of excitement about the potential of the new techniques. Since those days, more than $3bn has been raised to fund new or recently started biotechnology-based companies in the US alone.

Most of these companies, the best known of which include Genentech, Chiron, Genetics Institute and Centocor, are involved in some aspect of healthcare although others are concerned with biotechnology aspects of areas such as production of pesticides or fine chemicals.

US companies involved in biotechnology – including not only the new concerns but big, established drug companies such as Merck, Smith Kline & French and Squibb – are spending about $2bn a year on biotechnology research and development.

For all the cash that has gone into the techniques, only about 12 biotechnology-derived drugs are actually on sale. These are mainly substances similar to naturally occurring proteins that can be made on a large scale using biotechnology methods and which have a recognised therapeutic effect.

The products include Activase, a drug that Genentech developed for dissolving the blood clots that can kill victims of heart attacks, and Roferon, a form of naturally occurring interferon made by F Hoffmann-La Roche of Switzerland that treats some cancers.

Total sales within the US of biotechnology-derived drugs will add up to no more than $500m this year, according to Consulting Resources, a Massachusetts-based consultancy specialising in healthcare.

The relative smallness of the contribution today of biotechnology in terms of products and direct revenues has disappointed some onlookers who had been lulled by the initial razzamatazz to expect quicker progress.

"Biotechnology has captured the interest of the public and Wall Street, yet both have been occasionally disillusioned by the risks and revised time-frames for introducing commercial products," says a recent report* on biotechnology from the Office of Technology Assessment, a research arm of the US Congress.

Observers in the industry say that the pace of change in the drugs field is intrinsically slower than that in many other businesses – electronics, for example – due to the lengthy trials procedures involved in trying out formulations on human beings. This, apart from the basic complexities of introducing a new range of disciplines into a set of established scientific processes, has meant that new biotechnology-derived products have been entering the market at a less than galloping pace.

However, there appear to be many such new formulations in the pipeline. According to a recent study from the US Pharmaceutical Manufacturers Association, 81 biotechnology-based drugs and vaccines are in development in the US, of which 67 are in clinical trials and 14 awaiting government approval to enter the market.

If there is one cloud hovering over the future for biotechnology, it concerns patent protection. The laws concerning patenting of new drugs based on naturally occurring processes or substances are extremely unclear in virtually all the countries in which biotechnology products have been developed.

A series of legal cases now going through the courts in both Europe and the US is testing the degree to which developers of drugs based on these principles can expect a reasonable period of monopoly selling rights before competitors are permitted to sell copies.

The principle of patent rights over biotechnology products is extremely important, according to many in the industry, and will have to be cleared up soon if the industry is to prosper. "Traditional pharmaceutical companies have relied on patents to give them a prolonged period of sales for their products in which they can recoup research and development costs," says Mr Trevor Twose, a UK drug industry consultant.

"If biotechnology companies find they cannot rely on the same degree of protection, then they will be less likely to take the risk of putting money into the development of new products."

Peter Marsh

* *US Investment in Biotechnology. Office of Technology Assessment. $13, available from Government Printing Office, Washington DC 20402-9325.*

PROFILE: SANDOZ

Vision of 1970s pays off

SANDOZ, the big Swiss pharmaceutical company, is commonly regarded in drug-industry circles as having the capability "to do a Glaxo" over the next few years.

In other words, it is thought of as being well placed to emulate the British company in leaping up the world league table in pharmaceuticals by dint of a strong product line with promising drugs now in the development stage.

While Glaxo is the world's fourth biggest pharmaceutical company, Sandoz, with drug sales last year of SFr4.1bn (£1.5bn) is in eighth place. But it has been increasing its market share rapidly in recent years; in 1985 it was in 12th position in the pharmaceutical industry ranked by sales.

Sandoz's climb illustrates the long cycles which determine the progress or otherwise of companies in pharmaceuticals. With development of a single drug often taking 10 years or more, the current success of Sandoz (and of Glaxo) is bound up not only with the strengths of its current day marketing department but with the skills and vision of its research workers back in the 1970s.

The rise of Sandoz has taken place largely on the back of extremely good sales of Sandimmun, a drug used to combat the mechanism of biological rejection which often takes place in transplant surgery.

The drug, sales of which came to an estimated SFr400m last year, is rapidly becoming administered as a standard part of such operations. According to Barclays de Zoete Wedd, a London stockbroker, revenue from the product is increasing at 15 per cent a year.

As a result of this Sandimmun is expected to become Sandoz's top-selling product this year, toppling from this position Zaditen, an older drug used to treat asthma.

A further boost to the company may come from use of Sandimmun in treating ailments which are bound up with disorders of the immune system. Onlookers believe the drug could over the next few years receive government approval for treating arthritis and psoriasis (a skin disease), providing significant extra revenue.

Observers are particularly impressed by some of the products emerging from the stage of research and development, an area where Sandoz is currently spending about SFr600m a year, or roughly a sixth of pharmaceutical sales. The company has been especially keen to channel research resources into new areas of biotechnology, an area which according to Mr Hans-Peter Sigg, Sandoz vice chairman, accounts for 13 per cent of the total cash spent on drugs R&D.

Sandoz has especially high hopes for Sandostatin, a drug which inhibits the release in the body of a specific hormone and which could be used for treating a range of ailments including Alzheimer's disease, diabetes and certain forms of cancer. This product is already available in a few European countries and its release in other large markets is expected over the next few years, pending government approval.

The Swiss company is also trying hard to build up strength in over-the-counter drugs. In this field it has recently signed a deal with Glaxo under which the company will attempt to develop an over-the-counter version of Zantac, the UK concern's high-selling ulcer medication which at present is only available on prescription.

Peter Marsh

PROFILE: CORANGE

Global group goes offshore

AN ILLUSTRATION of the international nature of the pharmaceutical industry is provided by a look at the affairs of Corange, a Bermuda-registered company with sales and development operations spread around the globe.

The activities of the company, better known by the name of its trading arm, Boehringer Mannheim, also underline the business links which can develop between pharmaceuticals and other related areas such as diagnostic equipment and fine chemicals – two areas of commerce in which Corange is also involved.

The ownership structure of Corange, which had sales last year of $1.6bn, provides an interesting historical reminder as to the origins of many of today's big pharmaceutical companies, virtually all of which are publicly-quoted with shares freely traded in the world's financial centres. Many of these concerns started life in the last century as family-owned operations, often branching into drug development through retailing or another segment of the chemicals industry.

In the case of Corange, which was set up in 1859 in Germany, the country where it is best known and which accounts for about a quarter of its sales, the ownership pattern is still similar to what it was at the time of the company's foundation. All the shares are held by about 20 members of the Engelhorn family, which has been closely involved with the affairs of the company since its inception. An Engelhorn is also in day-to-day charge of Corange in the shape of Mr Curt Engelhorn, chairman and chief executive officer.

The company took on its current name, however, only three years ago after changes in its equity structure and management. As part of this reshuffle, the company's headquarters was shifted for tax reasons from Mannheim, West Germany – where it still has its main manufacturing and research activities – to Bermuda. To anyone wondering about the the company's name, Mr Engelhorn explains that Corange is the family name spelt backwards in French. There must be an irony here somewhere given that France is the only major West European country in which Corange does not trade.

Only about 30 per cent of the company's sales are accounted for by pharmaceuticals, a field in which its best known product is a drug called Euglucom which is given to diabetics to lower blood sugar. Corange is also heavily involved in diagnostic reagents and systems, a fast growing area with several obvious links to the pharmaceuticals field.

Diagnostic products are sold to the same healthcare professionals who have to be convinced of the efficacy of specific drugs. Their development, also, relies on scientific principles which closely parallel those used in the design of new pharmaceuticals intended to tackle particular illnesses.

Corange, which gains about half its revenue from diagnostic products and a further 20 per cent from specialised chemicals such as biochemical reagents, is especially keen to develop diagnostic systems which can be used by patients without requiring the attendance of a doctor. The company is already, for instance, well known for systems which are used by diabetics in their homes to monitor blood sugar levels.

Peter Marsh

PHARMACEUTICALS 4

Among the industry's next potential money spinners are drugs to alleviate. . .

Heart attacks, strokes, baldness

WHICH will be the next blockbusters? There is much speculation about the drugs now emerging from the research pipeline of the pharmaceutical industry which might turn out the big money spinners of the next few years.

Behind the question is the argument over which companies have the research expertise and marketing muscle to come up the next Zantac and Tagamet. These are two anti-ulcer drugs, sold by Glaxo of the UK and the US's Smith Kline & French Laboratories, both of which have annual sales of more than $1bn.

If Zantac and Tagamet are the only drugs at present with annual sales of this order, it seems likely that they will soon be joined by two heart drugs, revenues from which are racing upwards. The two medications are Capoten and Vasotec, made by Squibb and Merck, two big US companies.

According to some analysts, the two products, which both belong to a fast growing group of medications for heart ailments called ACE inhibitors, could both break the $1bn a year sales mark by the end of this year or early in 1989.

Merck, the world's biggest drugs company, has several other potential blockbusters passing through the research phase or which have recently gone on sale. Among them are Prinivil, another ACE inhibitor, and Mevacor and Zocor, two products for lowering cholesterol levels in blood and thus reducing the risk of heart attacks. Each of these three products, according to observers, has the potential of accounting for annual sales of hundred of millions of dollars by the mid 1990s.

The strength in depth of Merck is illustrated by a list of the world's 50 top selling drugs last year compiled by Robert Fleming Securities, a London stockbroker (see accompanying table). Of these top 50 drugs, all of which had sales in 1987 of above $215m, Merck accounts for no fewer than six.

The next best-represented companies in this league table are Glaxo, the UK's ICI, and Ciba-Geigy and Sandoz, both of Switzerland. All these companies have three products in the list.

As for how the profile of the top 50 drugs will change over the next few years, onlookers expect a good performance from several Japanese products, among them Avan. This is a drug sold by Takeda which helps the recovery of stroke victims. Launched in 1986, Avan sales catapulted last year to some $250m.

Other products likely to do well include Bayotensin and Cardizem, two heart drugs made by Bayer and Marion Laboratories, and Buspar, a new form of tranquilliser marketed by Bristol Myers. Janssen (which is part of Johnson & Johnson) and Glaxo are both developing other new products for brain disorders – for treating schizophrenia and migraine respectively – which are rated by some observers as potential smash hits.

Largely because it is both novel and strikes at a huge market, Rogaine, a drug made by Upjohn to combat baldness, may also turn out a winner.

In determining which drugs are likely to become blockbusters, several rules of thumb apply. Products in new therapeutic areas are likely to do well. Hence Activase, a form of a protein called tissue-plasminogen activator which is sold by Genentech of the US and which is one of a relatively new class of drugs used for treating heart-attack victims, has raced away to sales of an estimated $100m or more in its first year of marketing. Activase dissolves the blood clots which cause heart seizures.

The longer-term future for the drug, which became available at the end of last year, is, however, uncertain partly because of its high price : a single dose costs more than $2,000. Another complication is that the use of Activase has, ironically enough, triggered discussion about whether older, cheaper forms of treatment can work just as effectively.

This leads on to the second rule, which is that it is often the second or third product in a new drug category which may in the end outshine the medicine which is first into the market place. Thus Vasotec, the ACE inhibitor, was marketed after Capoten but is thought likely to have the higher potential sales. And Zantac came after Tagamet – both belong to a class of drugs for treating ulcers called H2 antagonists – but has lept ahead in terms of sales.

The reason for the later forms of a specific new drug doing better than the first follows the marketing patterns which are readily discernible in many other industries. The initial product alerts the market place to a new idea: later versions of the same basic therapeutic system can improve on the earlier form of the product and reap higher sales as a result.

A further general rule determining whether a drug may be a blockbuster concerns a company's marketing strengths. Given a reasonably-useful new drug, the degree to which it is sold is very much dependent on the number of sales people a company can direct to telling doctors how good they reckon the product is. As part of the effort to increase sales penetration of new products, more drug companies are organising co-marketing agreements for new products under which other concerns help sell the medication in question.

Much of the credit for building up sales of Glaxo's Zantac in the US, a huge market for the product, should accordingly be given to sales teams paid by F. Hoffmann-La Roche of Switzerland, which has helped sell the product in America.

Patent protection is also an issue. A company will always prefer to build up sales quickly for a new product – while it is in the early stages of patent protection which stops makers of generic products copying the formulation – rather than wait several years for sales to pick up. A drug that looks like being a blockbuster only 10 years after it has come on the market, by which time the patent protection will probably have almost lapsed, will not do very much for a company's profits.

Finally, luck is an important element. Sales patterns of many new drugs are influenced not so much by what is known about the medication before it is launched but how the product turns out to affect patients once it is in widespread use. No matter how much clinical testing a company may do on the product before it goes on sale, detailed forecasts about exactly how it is going to interact with people's bodies after the launch are often not much more than inspired guesswork.

Peter Marsh

Top 20 branded products Worldwide

	Brand Name	Generic Name	Company	Therapeutic Category	Therapeutic Indications	Revenues 1987E ($m)
1	Zantac	ranitidine	Glaxo*/Sankyo	H_2 antagonist	Duodenal/Gastric ulcers	1,479.0
2	Tagamet	cimetidine	SmithKline Beckman	H_2 antagonist	Duodenal/Gastric ulcers	1,132.0
3	Tenormin	atenolol	ICI	Beta blocker (cardioselective)	Hypertension	867.0
4	Capoten	captopril	Squibb	ACE inhibitor	Hypertension/CHF	779.0
5	Vasotec	enalapril	Merck	ACE inhibitor	Hypertension	635.0
6	Adalat	nifedipine	Bayer*/Takeda	Calcium antagonist	Angina/ Refractory hypertension	587.0
7	Naprosyn	naproxen	Syntex	NSAI	Arthritis	555.7
8	Voltaren	diclofenac	Ciba-Geigy	NSAI	Arthritis	544.1
9	Feldene	piroxicam	Pfizer	NSAI	Arthritis	524.0
10	Ceclor	cefaclor	Eli Lilly	2nd gen oral cephalosporin	Hospital infections	515.0
11	Cardizem	diltiazem	Marion Laboratories	Calcium antagonist	Angina	425.0
12	Zaditen	ketotifen	Sandoz*/Sankyo	Asthma prophylactic	Asthma/Allergies	390.0
13	Ventolin	salbutamol	Glaxo	Bronchodilator	Asthma	387.7
14	Inderal	propanolol	ICI*/American Home Products	Beta blocker (1st generation)	Hypertension/Angina/ Migraine	376.2
15	Amoxil	amoxycillin	Beecham	Semi-synthetic penicillin	Urinary tract/Middle ear infections	368.5
16	Dyazide	triamterene/ hydrochlorothiazide	SmithKline Beckman	Diuretic (potassium sparing)	Hypertension/CHF	365.0
17	Kefral	cefaclor	Shionogi	2nd gen oral cephalosporin	Respiratory/Urinary tract infections	363.8
18	Ortho-Novum	mestranol/ norethisterone	Johnson & Johnson	Oral contraceptive	Contraception	360.0
19	Krestin	krestin	Sankyo	Immunostimulant	Various cancers	359.1
20	Claforan	cefotaxime	Hoechst	3rd gen cephalosporin (inj only)	Hospital infections	358.4

Source: Robert Fleming Securities

OVER-THE-COUNTER MARKET

New companies move in

THE WORLD of aspirins, cough mixtures, vitamins and laxatives seems just a stone's throw from the sombreness of the doctor's surgery. But the absence of that crucial scrap of paper - the medical prescription – means that this world is inhabited by impulse buyers, keep-fit fanatics, hypochondriacs, drinkers, slimmers and the rest of us who simply want to 'feel better.'

Supermarket medical shelves bulge with glossy designer packaging and there is no shortage of new companies prepared to pay stunning prices to secure a slot alongside them. Kodak, for example, last February paid $5.1bn for Sterling Drug which has a high profile in over-the-counter (OTC) medications; in August, Fisons paid $460m for Pennwalt, an OTC specialist, based in New York, which lost $3.6m in its first half this year.

These prices reflect not only the value of the high street outlet but also a profound change in the OTC sector: the growing predominance of organisations whose expertise is in retailing and marketing, rather than research and development.

Already, Johnson & Johnson and Procter and Gamble are the second and third biggest advertisers of OTC medication in the US, ahead of such research-based giants as Merck, Ciba-Geigy, Sandoz, Upjohn and Hoechst. In 1987, $1.27bn was spent in the US on advertising drugs and remedies, 6.1 per cent of the total spent on advertising.

In the UK, Beecham's strong brands have set the pace for competitors who want to make it in the OTC sector. The prospect of clashing with the marketing experts head-to-head has persuaded some pharmaceutical companies, notable Glaxo and Merck, that their strengths lie elsewhere.

This self-imposed exile from retailing will be hard to bear. Growth in OTC is set to overtake that of the ethical (prescription-only) sector within a year or two, according to a report from US market research company Frost and Sullivan.*

Yet Glaxo has cut ties with OTC – "we disposed of Farley Health food and Evans Medical," said Mr John Barr of Glaxo. "One or two of our prescription medicines may go over the counter, but strong brand images are not our area. OTC is a different sort of business."

The chewy vitamin tablets that looks like Bugs Bunny is no laughing matter and Glaxo is an exception in its attitude to OTC. There are several reasons for its lure:

■ Profit margins are higher than in the rest of the grocery sector. Branded aspirins cost up to five times as as much as generic alternatives which cure your headache equally well. Even parts of the industry privately express surprise at the persuadability of consumers to pay for packaging and brightly-coloured sweet-tasting coatings on tablets.

■ Branding generates loyalty. When a patent on a drug runs out, strong branding and heavy promotion can give it a new lease of commercial life.

So strong is this process that it can even apply even in the ethical sector where Glaxo's Ventolin, used in mouth pumps to ease breathing, is now out of patent but staying well-known. Branding can also help immunise a drug against obsolescence which eventually arrives in the form of new and clinically more effective formulations, and loss of market share to cheap low-profile own-brands and generics.

■ Costs are cut, or at least more controllable. OTC medications tend to have had their safety confirmed by the test of time before their transfer from the ethical side to OTC. The notoriously high R&D costs have been recouped and the problems of bulk production have ironed out.

The costs of creating and maintaining a successful OTC medication are transferred to the more easily cash-limited departments of marketing and distribution.

■ As populations in developed countries grow older and richer, there is a rising demand for products seen to maintain or improve health.

In the United States, the high cost of medical treatment has established the habit of self-medication. US citizens spend $30 per capita each year of OTC medication, according to Frost and Sullivan. General stores and supermarkets now sell more drugs than the traditional outlet of the drugstore.

There may also more unexpected benefits of having a famous name. Some 18 months ago Wellcome, a UK company, announced an Aids treatment called Retrovir. The potential growth for the sales of such a drug is as exponential as the forecasts for the spread of the disease itself. But City of London analysts were surprised by the alacrity of US investors and analysts who latched onto prospects for this foreign company.

The reason? "Wellcome's cough mixtures are in every American bathroom cabinet - investors has trusted them since they were kids," explained one London analyst.

Wellcome has, however, an unwelcome low profile outside North America. The Actifed and Sudafed cough remedies that are part of many Americans' way of life do not figure much in the European psyche. Indeed, Europeans tend to take a rather more studied approach to drugs.

"In Europe the pharmacist [as opposed to the supermarket] will remain the predominant outlet," said Mr Godfrey Axton, the general manager of Wellcome's OTC division.

Mr Axton, formerly OTC marketing manager at the US company, Schering-Plough, has been brought in to create a worldwide OTC strategy for Wellcome. Europe will be a prime target for Wellcome, he says. It accounts for 26 per cent of the world market, against 50 per cent for North America, with West Germany, France and the UK as priorities – "the German market is dominated by German companies and we do not rule out the possibility of joint ventures there," says Mr Axton, "although we are not talking to anyone in particular yet."

He thinks that the opening up of West Germany may have to rely on the conversion of ethical drugs into OTC versions rather than the development of brand-led products tailor-made for OTC.

Industry backs the view that ethical-to-OTC will be the powerhouse to push OTC growth rates past those in the ethical sector. The alternative is endless repackaging of the same drugs. This means that, despite the increasing importance of marketing and distribution, the road between the R&D laboratory which generates new drugs and the hard sell of the shopping mall will remain. It will just get a little longer.

Daniel Green

"In Europe, the pharmacist, as opposed to the supermarket, will remain the traditional outlet"

Future sales of OTC internal medications in the US (current $m)

	1987	1988	1989	1990	1991	1992	Av. annual incr*
Analgesics, cough, cold etc	3,093	3,206	3,324	3,449	3,626	3,879	4.4
Antacids/antiflatulents laxatives, antidiarrheals	919	952	991	1,029	1,075	1,132	4.3
Antiemetics, appetite suppressants	*46*	*50*	*55*	*60*	*63*	*67*	*8.0*
Sedatives/sleeping aids vitamins,nutrients,etc	1,279	1,279	1,378	1,422	1,461	1,506	6.0
Total	5,337	5,537	5,748	5,960	6,225	6,584	4.3

*1987-92

Source: Frost and Sullivan Forecasts

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PRODUCT LIABILITY

Dire effects of defective drugs

THE CASE of the Dalkon Shield has sent shudders down the spines of many top executives in the pharmaceutical industry. It is a story about how one defective product brought a company to virtual bankruptcy and forced it to set about dismembering itself to find ways of finding the cash to compensate victims.

The Dalkon Shield, an intra-uterine contraceptive device, was marked in the early 1970s by A H Robins, a big US pharmaceutical company. The product was later found to have led to a range of injuries to women and birth defects. As a result of court actions in the US, the company is being forced to find more than $2bn to compensate an estimated 50,000 people around the world who have suffered serious problems as a result of the shield.

The one way out for the company was to seek protection under the US's bankrupcy laws. As part of this A H Robins is in the process of becoming purchased by American Home Products, another big US drugs concern, whose offer price for the company of some $3bn includes sufficient cash to pay the compensation.

The acquisition, agreed between the two companies earlier this year, has still to be formally completed, pending final resolution of details of the legal scheme for handing out money to victims of the A H Robins product.

The legal battles over the Dalkon Shield – which may lead to some women harmed by the device gaining compensation as high as $185,000 – has highlighted the risks to drug companies from products which turn out defective. The problems, from the viewpoint of the pharmaceutical industry, are more serious in the US as a result of the legal tradition in that country of awarding high levels of settlement to victims in personal injury cases.

Further controversy about the side effects of some drugs has been stirred in recent years by other cases of medications which have been linked to medical problems in the case of people taking them. Examples of such products have included Opren, an arthritis product sold by Eli Lilly of the US, which is thought to have led to a range of injuries including kidney problems, and Accutane, an acne medication, sold by F Hoffmann-La Roche of Switzerland, which has been linked to birth defects in the case of some pregnant women who have used the drug.

The debate about the possible problems caused by drugs has had several consequences, all of which are likely to significant affect the way drug groups operate over the next decade.

* Tougher testing. Pharmaceutical companies have come under pressure to instigate more intensive tests during the development stage of a particular drug to ensure that risks of injury once the product is in widespread use are minimised. Such tests may include new methods to assess the degree to which a chemical can remain in a person's body until long after it has been ingested and finally have a harmful effect many years after the person's treatment has stopped. The stricter trials are likely to increase further drug development costs.

* More consumer studies. There is increasing interest in post-marketing surveillance of drugs – computerised surveys of the effects of pharmaceuticals once they are in use by tens of thousands of people after a company has gained government approval to market the product concerned. Surveillance efforts of this kind, whether conducted by companies themselves or by government agencies, will, it is argued, show up possible defects in drug use as quickly as possible and minimise the chances of large numbers of people suffering ill effects.

* Better communications. There is also increased awareness of tightening up communications channels involving healthcare products to ensure that doctors and patients comply as fully as possible with instructions as to the conditions governing consumption of pharmaceuticals which may, so it is often argued, have a big effect in determining whether a patient suffers a problem from a specific product.

* Understanding risks. Many people, particularly those outside the drug industry , are understanding better that virtually all drugs carry risks to health as well as likely benefits. Exactly where the trade-off lies is determined not only by the diligence with which drugs companies have undertaken research to minimise ill effects of their products but also , at least to some degree, by a factor which is virtually impossible to calculate – the particular physiology of the person taking the medication.

Peter Marsh

Peculiar stresses

continued from page 1

produced formulation for treating arthritis, and Accutane, an acne drug made by Hoffmann-La Roche of Switzerland, have to some degree tarnished the industry's image and made many consumers think more carefully about the side-effects of drugs. Both these products have been shown in recent years to be responsible for a significant number of health problems as a result of unpredictable ways in which they have interfered with the body's physiological mechanisms.

● Duplication in research. Many in the industry believe that the increasing volumes of cash that companies are spending year by year on R&D may prove a millstone about the sector's neck. According to this argument, many of the companies which are pouring research resources into products aimed at common conditions like arthritis and heart disease will find it difficult to gain a useful return from the spending.

The reason is that so many competing firms are doing similar R&D. One solution could be for more drug companies to share research. Another, less palatable cure could be for some of the companies to go out of business.

● Future regulations. For companies operating in the European Community, in particular, this area poses a series of questions that are virtually unanswerable at the moment. As Europe gears up to eliminate trade barriers from 1992, government officials and industry representatives are struggling with the issue of how to bring about a general harmonisation of the widely different government regulations affecting drugs across the Continent.

How this debate works out over the next few years will greatly affect the pharmaceutical industry's future operations. It will have a bearing not just on European companies, but on many other US and Japanese businesses which derive large pharmaceutical sales from the Continent.

● Japanese drive. As a coda to the discussion as to what lies ahead for the world's pharmaceutical industry, many of the big US and European companies are looking nervously over their shoulders at the products now emerging from Japan.

Fuelled by the volume of cash going into basic biology R&D, Japanese companies are now making some potentially extremely useful products.

* *The World Drug Situation, World Health Organisation, 1211 Geneva 27, Switzerland, SwFr 20. Also available through HMSO.*

Percentage of world drug sales for each major therapeutic class[a]

Therapeutic class	1975	1980	1983	1984	1985
Cardiovascular	14.0	16.1	16.8	17.3	18.1
Anti-infective	17.6	18.0	17.6	17.6	17.1
Internal medicine	15.9	14.6	14.5	14.5	14.6
Analgesics	15.0	13.6	13.5	13.2	12.9
Respiratory	8.5	7.8	7.1	6.9	7.1
Mental health	8.3	7.7	7.1	7.1	6.9
Nutritional	6.7	7.3	7.7	7.6	7.6
Other	14.0	14.9	15.7	15.8	15.7

[a]Source: CAPLIN D & GAMBA J. Pharmaceuticals strategy paper, Washington DC, World Bank 1985; SCRIP Yearbook 1987.

[1]Global study of the pharmaceutical industry. Unpublished UNIDO document, ID/WG.331/6, 1980.

[2]This last example shows the limitations of the evaluation of drug consumption in terms of market value. It would be more accurate to evaluate by volume, but no data are available. However, although differences in pricing policy for various therapeutic groups may affect the ranking of therapeutic groups according to market sales, sales can still provide useful pointers to trends.

ADVERTISING

US consumer campaigns stir up controversy

ADVERTISING is a difficult ethical issue for the drugs industry.

The arguments have been stirred up by a debate in the US over a series of campaigns by big drugs companies aimed at selling prescription medications via adverts on TV and in widely circulated newspapers and magazines. This compares with the traditional advertising medium for drugs of journals read predominantly by physicians.

Use of so-called "direct to consumer" advertising breaks new ground in the industry. It introduces questions about the degree to which the drugs business is justified in using marketing techniques employed by many other businesses. They are open to question in the drugs industry because of the sensitivities touched by manyaspects of pharmaceuticals sales.

In most developed countries, ethical issues mean that the advertising and promotion activities of drugs companies are controlled by public health agencies. Industry trade bodies – which commonly see it as in their own interests to uphold ethical standards in drugs promotion – may also be involved in setting general guidelines.

In Britain, the amount of money individual drug companies spend on sales promotion is regulated as part of a scheme administered by the Health Department to control pharmaceutical industry profits. Under this scheme, companies are allowed to spend on promotion a set proportion of their annual sales of drugs to the National Health Service.

In this way it is hoped to curb "overselling" of drugs which critics claim would otherwise add to the price pharmaceutical companies charge for their products.

The arguments over advertising are complicated by the fact that, on one hand, many pharmaceutical companies argue that they have a right, within the normal limits of law and public decency, to use what means they think fit to market their products.

On the other hand many outsiders, together with significant sections of the industry itself, say that due to the peculiar way most drugs reach the consumer there should be strict rules governing the influences brought to bear on sales patterns.

One of the peculiarities of most pharmaceuticals is that, unlike virtually every other kind of consumer item, the choice of product is left not to the consumer but to a third party in the shape of a doctor. (This does not of course apply to non-prescription or over-the-counter products, but these account for only a small part of the world pharmaceutical business.)

A second factor that makes marketing techniques for medicines unusual is that nearly all of these products involve the introduction of foreign , synthetic chemicals into the body. This practice, almost by definition, involves a certain amount of risk and is not something to be undertaken lightly.

For both these reasons the ethics of promoting the use of prescription drugs are clearly quite different from, say, persuading people to buy more of a certain variety of cornflakes.

Most people in the healthcare field generally assume that only physicians, rather than the consumer himself, has the expertise to make judgments over the choice of medication for a specific condition. Addressing drug advertisements direct to consumers, according to this argument, is fraught with dangers.

A second school of thought – one that at present at any rate is a minority view in the pharmaceutical industry and among observers of the business – argues that this strict interpretation of the ethics of drug-industry advertising is overly paternalist and does not take into account fully enough the consumer's rights to join in this decision-making process over products that will affect his or her body.

According to this opinion, a certain amount of direct-to-consumer advertising is permissable to raise patients' awareness of medications available.

The traditional way for pharmaceutical companies to sell their products is through teams of sales people who visit doctors. The efforts of these sales teams are backed up by general marketing campaigns such as invitations to doctors to attend new product launches.

Virtually all direct advertising of products, conventionally, is in specialist medical journals read by few people other than doctors. In countries such as Britain – where there are strict rules over drug advertising laid down by the Department of Health and the Association of the British Pharmaceutical Industry, the business's trade body – a pharmaceutical company is not allowed to advertise its products in ordinary newspapers and magazines.

"Promotions of this kind may be dangerous"

In the US, however, looser rules apply and in the past year a series of advertisements run by drug companies to promote products directly to the consumer have prompted considerable discussion.

Sandoz, the Swiss drugs company, caused a stir with a direct-to-consumer advert in the US for its anti-allergy drug called Tavist. The advertisement was clearly aimed at people suffering from allergies in the hope that they would then possibly mention Tavist to their doctors when they next attended a clinic for treatment.

The Sandoz advertisements went further than other, broader adverts run by drug companies in the US in consumer periodicals which discuss general medical conditions for which the company has a formulation – without mentioning the product by name. This type of promotion again attempts to raise consumer consciousness about a particular area of healthcare, in the hope that the maker of the pharmaceutical concerned will benefit through increased prescriptions when the patient goes to see his or her doctor.

Recent examples of this approach in the US have involved Glaxo, the UK drug company, and Smith Kline & French Laboratories of the US. Both have organised TV adverts on the general subject of medicines which treat ulcers; each company makes a big-selling anti-ulcer product, Zantac and Tagamet respectively.

In a similar vein, Wellcome, another UK pharmaceutical company, has advertised about treatments for herpes. Although the advertisements do not mention it, Wellcome is the maker of Zovirax, the only drug available on prescription to treat the disease.

It appears likely that more advertising of this kind will be seen – especially in the US as a result of its less strict guidelines over such adverts. "It is a sign of increased competition between the different companies making drugs," says Mr Steve Buermann, a pharmaceutical industry analyst at Morgan Stanley, a New York bank.

Mr David MacCallum, an analyst at Hambrecht & Quist, another US bank, sees nothing wrong with such advertising which he says "helps to stimulate the awareness of the consumer and recognises patients are becoming more educated over the kind of medicines which they take".

Other observers, however, do not take the same line. Mr Sidney Wolfe, director of Public Citizen, a healthcare consumer group in Washington, says that promotions of this kind may be dangerous, in that they aim to "short-circuit the normal decision-making processes involving the doctor". He says he is worried by the general trend towards more direct to consumer advertising involving pharmaceuticals.

Discussion about the ethics of particular types of pharmaceutical advertising is likely to reverberate for some time. Watching the debate keenly is the advertising industry, which realises its revenues could be considerably increased if pharmaceutical companies broaden their promotional effort and make direct appeals to consumers to use specific healthcare products a central focus of their campaigns.

Peter Marsh

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

London & Manchester (Tst Mgmt) Ltd (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

American	5	29.00	29.33	31.14	-0.24	0.8
General	5	48.01	48.25xd	51.22	-0.43	3.6
Income	5	44.67	45.07	47.84	-0.18	5.6
International	5	34.48	34.82	36.96	-0.15	0.9
Japan	5	47.77	48.06	51.02	-0.05	–
Tst of Inv Trusts	5	36.20	36.74xd	39.00	-0.09	2.0

M & G Securities (y) (0915)H
Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 01-626 4588 Unit Dealing 0245 266266

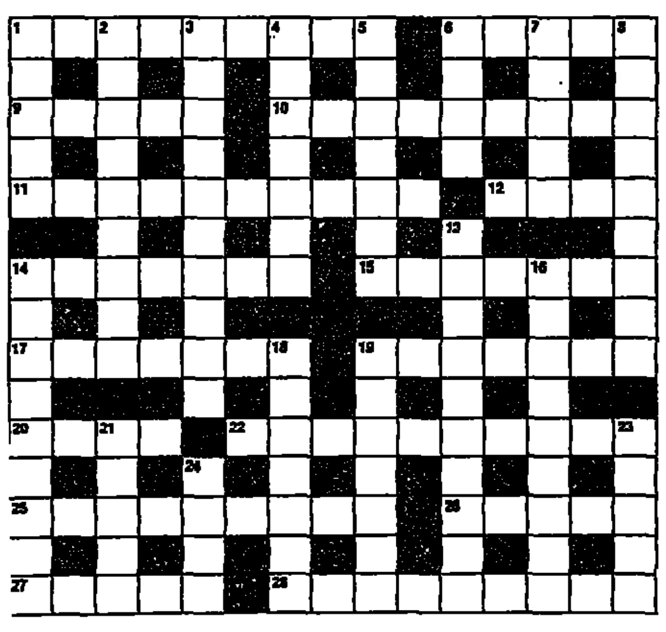
Amer & General	5	198.27	198.3	209.7	-1.5	1.92
(Accum Units)	5	236.66	236.7	250.3	-1.5	1.52
Amer Recovery	5	220.36	221.0xd	235.4	-0.9	0.99
(Accum Units)	5	246.33	246.1	262.1	-1.0	0.99

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

CROSSWORD

No. 6,780 Set by CINEPHILE



ACROSS

1 Kind looks from printers? (9)
6, 9, 20, 22, 9, 24 Maybe what uninhibited bathers do with horns – take what you can while you can (1,4,2,3,4,2,5,3,2,3,4)
10 Change position of back burner? (9)
11 Dukakis' first could be president – lovely! (10)
12 See 6 down
14 *Knows old name of* ..... (7)
15 ..... little cheer in sport for author of ..... (7)
17, 9, 19 ..... The Will, the Windows (3,4,2,3,7)
20, 22 See 6 across
25 Radioactive material may be put in menu (9)
26 Horseplay? (5)
27 Name for ephemeral phenomena (5)
28 Boy, *a saint*, broken in small pieces (9)

DOWN

1 Lucky time? (5)
2 Tetchiness is a favourite upper-class weapon (9)
3 Tick without interest makes Ted fiercer (4,6)
4 Money without war work makes transport cleaner (3,4)
5 Mollusc has eyes (*we hear*) and ear (3,4)
6, 12 Light letter: deface with blood on a return (8)
7 Man next to bull? (5)
8 Sort of sleep for male disguised in costume (9)
13 Financial centre, holder of money without disturbed rest (4,6)
14 Cook general? (9)
16 A barrel has nothing in it, tapped vessel the reverse? (5-4)
18 Send away princess's girl (7)
19 Forester's crazy old island (7)
21 Unfriendly cactus? (5)
23 Love first – fool around in green? (5)
24 See 6 across

Solution to Puzzle No.6,779

A	G	A	T	H	A		C	H	R	I	S	T	I	E
M		N		O				E		N		A		A
P	O	I	R	O	T		C	R	O	S	S	B	A	R
U		M		V		B		B		O		L		N
L	E	A	V	E	N	E	D		F	L	E	E	C	E
L		T		R		G		A		E				S
A	R	I	A		G	O	O	D	I	N	T	E	N	T
		O		C		N		D		T		X		
G	O	N	D	O	L	I	E	R	S		M	A	I	D
O				L		A		E		P		M		A
O	I	L	I	E	R		A	S	T	O	N	I	S	H
D		O		S		E		S		R		N		O
M	E	G	A	L	I	T	H		S	T	R	E	A	M
A		I		A		N				A		R		E
N	E	C	K	W	E	A	R		F	L	A	S	H	Y

FT UNIT TRUST INFORMATION SERVICE

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE — 0264 63434

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	97.08	97.90	104.15	-0.45	2.30
Do Accum	6	104.19	105.07	111.78	-0.48	2.10
TSB Brit Growth	6	54.15	54.15xd	57.61	-0.56	3.28
Do Accum	6	56.66	56.66xd	60.28	-0.59	3.28
TSB European	6	52.72	52.72	56.09	+0.04	1.12
Do Accum	6	54.16	54.16	57.62	+0.05	1.12
TSB Extra Income	6	149.25	149.51	159.06	+0.99	5.76
Do Accum	6	189.78	192.98	205.30	+1.28	5.76
TSB Smaller Cos	6	54.17	54.17	57.63	-1.14	1.19
Do Accum	6	55.13	55.13	58.65	-1.69	1.19
TSB General	6	177.00	177.00	188.30	-1.79	3.44
Do Accum	6	306.39	306.39	325.95	-3.00	3.44
TSB Gilt & Fxd Int	5	47.67	47.67xd	49.66	+0.23	8.92
Do Accum	5	73.14	73.14xd	76.19	+0.34	8.92
TSB Income	6	267.49	267.49	284.56	-1.95	4.91
Do Accum	6	447.11	447.11	475.65	-3.25	4.91
TSB Pacific	6	204.96	208.06	221.34	+1.25	0.32
Do Accum	6	213.09	216.32	230.13	+1.28	0.32
TSB International	6	316.49	316.49xd	336.69	-2.53	0.89
Do Accum	6	399.95	399.95xd	425.48	-3.20	0.89
TSB Nat Resources	6	61.00	62.24xd	66.21	+0.40	1.53
Do Accum	6	64.60	65.92xd	70.13	+0.50	1.53
TSB Special Opps	6	79.86	79.86	84.96	-0.61	2.95
Do Accum	6	91.18	91.18	97.00	-0.70	2.95

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 — Dealing: 01-579 0860

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	62.35	62.35	66.56	-0.99	3.14
Australia	5	7.434	7.434	7.937	-0.09	0.10
Commodity	5	75.28	75.28	81.24	-0.96	0.61
Convertible	5	141.7	142.7xd	152.4	-0.4	5.02
Equity	5	154.1	154.1	166.0	-0.6	3.15
Euro Spec Sits	5	83.24	83.24	89.47	-0.48	1.52
Financial	5	30.38	30.38	32.95	-0.25	2.07
Global Opps Inc	5	55.14	55.14xd	59.42	-0.44	0.63
Global Opps Acc	5	55.14	55.14	59.42	-0.44	0.63
Gold Income	5	45.91	45.91xd	49.91	-0.84	0.00
Gold Acc	5	84.56	84.56	90.82	-1.55	0.00
Income	5	103.8	103.8	112.2	-0.8	4.52
Japan	5	122.1	122.1	131.5	-1.1	0.00
Pacific Inc	5	111.3	111.3	120.1	-0.7	0.06
Pacific Acc	5	138.1	138.1	149.0	-0.9	0.06
Preference Share	5	24.61	24.61xd	26.64	-0.10	7.57

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 2	39.2	40.7	+0.0	2.28
Euro Expt Nov 2	42.7	44.8	+0.0	2.46
Fixed Int Ex Nov 2	49.9	52.5	+0.0	9.6
Japan Expt Nov 2	54.2	56.4	+0.0	0.45
Managed Ex Nov 3	39.2	40.7xd	+0.0	4.44
SE Asia Expt Nov 2	34.6	36.5xd	+0.0	1.95
Sm Cos Expt Nov 2	43.9	46.0xd	+0.0	2.47
UK Eqty Ex Nov 2	36.1	37.9	+0.0	4.17

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.3	—	—

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co Fd(1)(2)	825.0	861.0	—	3.85
Do Accum	842.0	889.0	—	3.85
PDFM Int Expt Oct 27	124.8	126.9xd	—	2.72

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	93.66	94.73xd	—	2.92

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Oct 14	—	142.9	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth — 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	259.3	273.0	—	—
Equity Ser. 1	114.1	120.2	-0.9	—
Prop. Acc. Ser 2	387.3	407.7	—	—
Equity Ser 2	129.5	136.4	-1.0	—
Selective Acc.	297.8	313.5	-1.2	—
Prop. Ser. 4	307.8	324.0	—	—

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	54.3	57.1	-0.3	-
Stock Market Mngd Fund	51.8	54.5	-0.4	-
Equity Fund	55.9	58.9	-0.3	-
International Fund	48.2	50.8	-0.4	-
European Fund	50.7	53.3	-0.2	-
North American Fund	44.2	46.6	-0.3	-
Pacific Fund	58.7	61.8	-0.3	-
Property Fund	67.3	70.9	-	-
Fixed Interest Fund	52.6	55.4	-0.2	-
Index linked Sec Fund	54.2	57.1	-	-
Deposit Fund	54.7	57.6	-	-
NUAM Retirement Plans				
Mixed Fund	58.5	61.6	-0.1	-
UK Ordinary Share Fd.	66.0	69.5	-	-
International Fund	50.1	52.8	-0.1	-
Property Fund	65.5	69.0	+0.1	-
Fixed Interest Fund	57.4	60.5	-	-
Index Linked Sec Fund	55.7	58.6	+0.3	-
Deposit Fund	58.8	61.9	-	-
NUAM (MF)				
Managed Fund	757.4	797.3	-4.1	-
Equity Fund	1513.5	1593.2	-9.1	-
Property Fund	424.1	446.5	+0.1	-
Fixed Interest Fund	392.5	413.2	-1.7	-
Deposit Fund	224.0	235.8	+0.2	-
International Fund	126.8	133.5	-1.1	-
Index Linked Sec Fund	54.9	57.8	-	-

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd.	107.72	113.39	+0.12	-
Managed Fd	118.26	124.48	-0.09	-
UK Equity Fd.	122.09	128.52	-0.03	-
International Fd	119.10	125.37	-0.15	-
European Fd	115.91	122.01	-0.65	-
North American Fd.	114.01	120.01	+0.05	-
Pacific Fd	113.54	119.52	-0.17	-
Property Fd	119.15	125.42	+0.02	-
Fixed Int Fd	101.72	107.08	-0.15	-
Intl Bond Fd	105.82	111.39	-0.36	-
Bldg Soc Dep Fd	102.76	108.17	+0.03	-
Pensionvestor* & Unit-Linked Plus*				
Fixed Interest Fund	287.5	302.6	+2.5	-
Index-Linked Sec Fund	155.9	164.1	+2.5	-
Ordinary Share Fund	479.1	504.3	+0.2	-
International Fund	128.5	135.2	-0.3	-
Property Fund	202.2	212.8	+2.5	-
Deposit Fund	183.9	193.5	+0.3	-
Mixed Fund	325.1	342.2	+0.8	-
Norwich Units October 15		822.3	---	-

*Prices as at October 31

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

	Bid Price	Offer Price	+ or -	Yield Gross
Prop Dist. (Gross)	175.7	185.0		-
Prop Acc. (Gross)	296.6	312.3	+0.1	-
Equity (Gross)	669.6	704.9	-5.2	-
Managed (Gross)	481.6	507.0	-2.9	-
Prop Acc. (Net)	137.0	144.3	-	-
Equity (Net)	156.6	164.9	-0.9	-
Managed (Net)	148.0	155.8	-0.8	-
International (net)	133.0	140.0	-0.5	-
Gilt & Fxd Interest	102.4	107.8	-0.4	-
Money Fund	101.8	107.1	-	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	459.3	483.5	-3.1	-
Ret Man (Series 2)	155.8	164.0	-1.1	-
Ret Man (Series 3)	102.6	102.6	-0.6	-
Ret Cash	125.6	132.2	+0.1	-
Ret Cash (Series 3)	103.8	103.8	+0.1	-

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	+ or -	Yield Gross
Life Assurance Funds				
Wealth Assd	391.0	411.7	-2.2	-
Eb'r Ph Eq.	347.7	369.9	---	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	170.8	179.7	-1.4	-
International Acc.	140.0	147.3	-0.6	-
Property Acc	153.2	161.2	+0.4	-
Fixed Interest Acc	159.8	168.2	-0.6	-
Money Acc.	146.0	153.6	---	-
Bldg Soc Link Acc.	142.9	150.4	---	-
Special Mnged Acc.Q.	154.8	162.9	-0.9	-

Providence Capitol Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pacific Initial		58.8	+0.2	-
Technology Initial		81.9	+0.8	-
Nat Resources Initial		46.8	+0.3	-
Japan Growth Initial		186.9	-0.3	-
European Initial		72.4	+0.1	-
Residential Prop Init.		117.1	.....	-
Swiss Equities Initial		33.5	+0.2	-
Hong Kong Initial		42.0	.....	-
UK High Inc Eq Init.		61.6	-0.3	-
Int Fixed Interest Init.		49.8	-0.1	-
Int Managed Init.		47.1	.....	-
Broker Fund				
Towerhill Mngd Fd Acc.	47.3	49.8	-0.2	-
High Performance	62.0	65.4	+0.2	-
YRA Executive Fd.	77.5	81.7	-0.3	-
Investment Master		38.4	.....	-
H.F. Speculator Fd.		112.3	.....	-
£ High Inc Money Fd.		103.2	.....	-
£ Global Growth Fd.		103.2	.....	-
PEP Acorn II		101.5	+0.1	-
AAFS Int Man Fund.		100.2	.....	-
Individual Pension Funds				
UK Equity Acc	208.0	219.5	-2.0	-
UK Fixed Interest Acc.	163.4	172.4	-0.1	-
Intl Equities Acc.	166.4	175.6	+0.6	-
UK Managed Acc.	151.5	159.8	-0.4	-
Property Acc.	188.4	198.8	-0.1	-
Money Acc.	115.0	121.4	+0.1	-
Special Market Acc.	131.0	138.2	+2.3	-
Japanese Acc.	216.7	228.6	-0.8	-
North American Acc.	106.5	112.4	-1.9	-
Pacific Acc.	132.6	139.9	+0.4	-
Technology Acc.	131.4	138.7	+1.5	-
Natural Resources Acc.	90.1	95.1	+0.5	-
Japan Growth Acc.	256.1	270.2	-0.4	-
European Acc.	88.0	92.9	+0.3	-
Residential Prop Acc.	124.1	131.0	.....	-
Swiss Equities Acc.	33.4	35.3	+0.2	-
Hong Kong Acc.	41.5	43.8	.....	-
UK High Inc Equ Acc.	65.6	69.2	-0.4	-
Int Fixed Interest Acc.	50.5	53.3	-0.1	-
Int Managed Acc.	47.1	49.6	.....	-
Broker Fund				
Towerhill Mgd Pen Acc.	40.0	42.1	-0.1	-
Group Pension Funds				
Equity Acc.	622.9	642.2	+3.3	-
Fixed Interest Acc.	456.0	470.2	.....	-
Managed Acc.	103.8	105.8	+0.1	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund.	912.1	957.7	+0.1	-
Equity Fund	203.0	213.2	-0.1	-
International Fd	133.6	140.3	+0.3	-
Fixed Interest Fd.	153.5	161.2	-0.3	-
Property Fund	196.3	206.1	.....	-
Index-Linked Fund.	133.8	140.5	+0.5	-
Deposit Fund	131.1	137.7	+0.1	-
Pens. Mixed (Ord) Fd.	211.8	222.4	.....	-
Gold Pensions				
Discretionary Fund		102.7	.....	-
Equity Fund		99.5	-0.1	-
Fixed Interest Fund		105.4	-0.1	-
International Fund		99.6	+0.2	-
Property Fund		116.9	.....	-
Index-Linked Fund		109.3	+0.5	-
Deposit Fund		103.1	+0.1	-
S & F Consolidation		103.1	-0.1	-
S & F Balanced		101.1	-0.1	-
S & F Maximum Growth		93.1	+0.1	-

Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	294.1	309.6	(z)	-
Managed Init.	241.3	254.0	(z)	-
Equity Ord.	412.5	434.2	(z)	-
Equity Init.	338.3	356.1	(z)	-
Index Linked Gilt Ord	132.0	138.9	(z)	-
Index Linked Gilt Init.	113.1	119.1	(z)	-
Overseas Equity Ord.	259.3	272.9	(z)	-
Overseas Equity Init.	212.7	223.9	(z)	-
Property Ord.	178.2	187.6	(z)	-
Property Init.	146.2	153.9	(z)	-
Fixed Interest Ord.	175.4	184.6	(z)	-
Fixed Interest Init.	143.8	151.4	(z)	-
Deposit Ord.	137.2	144.4	(z)	-
Deposit Init.	112.6	118.5	(z)	-
Pension Funds				
Managed Ord.	356.8	375.6	(z)	-
Managed Init.	292.7	308.1	(z)	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99	Treas 11½pc 1989	99	−1/32	11.53	11.83
101	98	Treas 9½pc Cnv 1989	99	−1/16	9.59	11.63
97	95	Treas 3pc 1989	97½xd	−1/16	3.09	8.80
102	99	Treas 10½pc 1989	99xd	.....	10.57	11.82
102	98	Exch 10pc 1989	98	−1/32	10.12	11.69
103	99	Exch 11pc 1989	99	−1/32	11.04	11.43
97	94	Treas 5pc 1986-89	96	.....	5.20	9.39
104	98	Exch 10¼pc Cv '89	99¼xd	−1/16	10.35	11.32
107½	102	Treas 13pc 1990‡‡	102	−1/16	12.73	10.98
104	100	Exch 11pc 1990‡‡	100	.....	11.00	10.93
107	101	Exch. 12½pc 1990	101	−1/16	12.27	11.02
93	90	Treas. 3pc 1990	91xd	−1/16	3.26	8.88
99	95	Treas 8¼pc 1987-90‡‡	96	−1/16	8.51	10.54
102	95	Treas. 8pc Cv 1990 ‡‡	98	−1/16	8.72	8.94
103	98	Treas. 10pc Cv 1990	98	−1/16	10.13	10.72
91	87	Exch 2½pc 1990	89xd	+⅛	2.81	8.53
107	101	Treas 11¾pc 1991	102	−1/16	11.52	10.65
95	90	Funding 5¾pc '87-91‡‡	91	−1/16	6.26	9.61
90	86	Treas. 3pc 1991	87xd	.....	3.42	8.50
105	98	Treas 10pc Cv '91 ‡‡	100	−1/16	9.98	9.90
107	100	Exch. 11pc 1991	101	−⅛	10.86	10.47
98	92	Treas. 8pc 1991	93⅝xd	−⅛	8.55	10.49
113	105	Treas 12¾pc 1992‡‡	106	−1/16	11.99	10.33
104	98	Treas 10pc 1992	99	−1/16	10.10	10.33
98	92¼	Treas 8pc 1992 ‡‡	93	−1/16	8.57	10.33
106	99½	Treas 10½pc Cv 1992‡‡	100xd	−⅛	10.45	10.34
86	82¼	Treas. 3pc 1992	83xd	−1/16	3.57	8.26
112	104	Exch. 12¼pc '92	105	−⅛	11.58	10.33
117	108	Exch 13½pc 1992	109	−1/16	12.28	10.32
97	91¼	Treas 8¼pc 1993	93	−1/16	8.86	10.24
105	97	Treas 10pc 1993‡‡	99	−1/16	10.04	10.12
115	107	Treas 12½pc 1993‡‡	108	−1/16	11.51	10.13
93	87	Funding 6pc 1993‡‡	88	+1/16	6.82	9.11

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
121	112	Treas 13¾pc 1993‡‡	114xd	−1/16	12.07	10.15
101	91	Treas. 8½pc 1994	93	−1/16	9.10	10.14
94	91	Treas 8½pc 1994 A	93	−1/16	9.10	10.14
125	115	Treas 14½pc 1994‡‡	117	−⅛	12.31	10.09
120	111	Exch 13½pc 1994	113	−1/16	11.90	10.22
105	98	Treas. 10pc Ln. 1994‡‡	99xd	−1/16	10.01	10.03
116	107	Exch. 12½pc 1994	109	−⅛	11.38	10.18
101	93	Treas 9pc 1994‡‡	96xd	−1/16	9.39	9.93
114	105	Treas 12pc 1995	108	−1/16	11.07	10.13
83½	78½	Exch 3pc Gas 90-95	80½	−1	3.70	6.66
106	98¾	Exch. 10¼pc 1995	101	−1/16	10.15	10.02
120	111	Treas 12¼pc 1995‡‡	113xd	−1/16	11.23	10.02
126	116	Treas. 14pc '96	119	−1/16	11.73	10.11
101	93	Treas. 9pc 1992-96‡‡	96	−1/16	9.35	9.72
133	123	Treas 15¼pc 1996‡‡	126	−1/16	12.04	10.08
123	114	Exch 13¼pc 1996‡‡	117½xd	−1/16	11.32	9.98
105	97	Conversion 10pc 1996	100xd	−1/16	9.94	9.89
124	115	Treas 13¼pc 1997‡‡	118½	−⅛	11.20	9.95
108	100	Exch 10½pc 1997	103	−1/16	10.15	9.87
98	91	Treas 8¾pc 1997‡‡	94½	−⅛	9.26	9.69
134	125	Exch 15pc 1997	128	−1/16	11.68	10.09
104	96	Exch. 9¾pc 1998	99	−1/16	9.80	9.81
87	81	Treas 6¾pc 1995-98‡‡	84¼	−1/16	8.04	9.34
140¼	130	Treas. 15½pc '98‡‡	134½	−1/16	11.56	9.98
118	109	Exch. 12pc 1998	113xd	−⅛	10.61	9.90
103	95	Treas 9½pc 1999‡‡	99	−1/16	9.58	9.60
120	111	Exch. 12¼pc 1999	115	−1/16	10.64	9.88
109	101	Treas. 10½pc 1999	104xd	−1/16	10.03	9.78
107	99	Conversion 10¼pc 1999	103xd	−1/16	9.94	9.78
100¼	86	Treas. 8½pc Ln 2000‡‡	92	−1/16	9.17	9.57
99	92	Conversion 9pc 2000‡‡	96	−1/16	9.37	9.57
126	117	Treas. 13pc 2000	121	−¼	10.74	9.90
106	98	Treas 10pc 2001	102	−1/16	9.76	9.64
129	120¼	Treas. 14pc '98-01	123xd	−1/16	11.31	10.06
104	97	Conversion 9¾pc 2001	100	−1/16	9.67	9.63
118	109	Exch. 12pc '99-02	113	−1/16	10.61	9.91
107¼	99	Conversion 10pc 2002	103	−1/16	9.69	9.57
105	97	Treas 9¾pc 2002	101	−¼	9.61	9.55
99	92	Exch. 9pc 2002	96½xd	−1/16	9.36	9.50
131	122	Treas. 13¾pc 2000-03	125	−1/16	10.93	9.96
108	100¼	Treas 10pc 2003	104	−1/16	9.61	9.48

Over Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
117	108	Treas. 11½pc 2001-04	112	−1/16	10.24	9.75
108	100	Treas. 10pc 2004	104xd	−1/16	9.54	9.40
61	54	Funding 3½pc '99-04	59	−¼	5.89	8.12
104	97	Conversion 9½pc 2004	101	−1/16	9.37	9.33
104	97	Conversion 9½pc 2005	101	−1/16	9.35	9.30
113	105	Exch. 10½pc 2005	110	−1/16	9.53	9.28
128	118	Treas. 12½pc 2003-05	123½xd	−1/16	10.14	9.55
92	85	Treas. 8pc 2002-06‡‡	89	−1/16	8.93	9.20
106	99	Conversion 9¾pc 2006	104xd	−1/16	9.34	9.25

BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
44	41	Consols 4pc	44½	−⅛	9.00	
40	37	War Loan 3½pc‡‡	39⅞xd	−⅛	8.78	
62	48	Conv. 3½pc '61 Aft.	61	−1/16	5.69	
33	30	Treas. 3pc '66 Aft.	32	−⅛	9.01	
28	26⅛	Consols 2½pc	27	−⅛	6.95	
28	26⅛	Treas. 2½pc	27	−⅛	8.95	

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
124	117½	Treas 2pc IL '90(84.6)	124	−⅛	0.21	2.33
105	99	Do. 2pc '92‡‡(97.8)	105¼	−⅛	2.01	2.76
96	92½	Do. 2 '94 (102.9)	96xd	−1/16	2.75	3.22
142¼	127	Do. 2pc '96(67.9)	141	−1/16	2.93	3.27
121¼	103	Do 2½pc '01(78.3)	121¼	+1/16	3.25	3.49
118½	101	Do 2½pc '03(78.8)	118xd	+1/16	3.34	3.55
120	102½	Do. 2pc '06(69.5)	120	+1/16	3.42	3.50
113	95	Do. 2½pc '09(78.8)	113xd	−1/16	3.43	3.55
117	99	Do. 2½pc '11(74.6)	117	+1/16	3.44	3.59
97	82	Do. 2½pc '13(89.2)	97	+1/16	3.44	3.58
105	88	Do. 2½pc '16(81.6)	105	+1/16	3.40	3.54
103½	87¼	Do. 2½pc '20(83.0)	103½	+1/16	3.37	3.49
87	73	Do. 2½pc '24‡‡(97.7)	87	+1/16	3.33	3.44

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1988:103.7 and for September 1988.108.4

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	106	−⅛	10.46	10.32
104	96	Asian Dev Bk 10¼pc Ln 2009	102	−⅛	10.00	9.95
129	120	Australia 13½pc 2010	127	−1/16	10.58	10.29
112	103	Do. 11¼pc Ln 2015	111	−1/16	10.20	10.12
110	103	Euro Inv Bk 11pc Ln 2002	107	−1/16	10.24	9.99
105	98	Do 10¼pc 2004	102	−1/16	10.09	10.02
120	112	Int-Am Dev Bk 12½pc 2003	117	−1/16	10.67	10.17
98	91	Do. 9¾pc Ln 2015	97	−1/16	9.96	9.99
96½	86	Mlysia 10¾pc Ln 2009	96½xd	..	11.14	11.18
121	87	Utd. Mexican States 16½pc 2008	120	...	13.64	12.85

CORPORATION LOANS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
111	100½	Birmingham 13½pc 1989	101½xd	...	13.30	11.20
115½	101	Do 11½pc 2012	110½xd	...	10.41	10.30
94¼	87	GLC 6¾pc 1990-92	89½	......	7.54	10.50
130	118½	Leeds 13¼pc 2006	125½xd	......	10.76	10.30
34	26¼	Liverpool 3½pc Irred.	33xd	......	10.61	−
97	91	LCC 6¾pc '88-90	93½	...	7.30	11.40
31	25	Do. 3pc '20 Aft.	30	......	10.00	−
112	100	Manchester 11½pc 2007	110½	......	10.37	10.50

COMMONWEALTH & AFRICAN LOANS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
93¼	87¼	NZ 7¼pc 1988-92	88⅞	−⅛	8.16	10.80
207	197	S Rhod 2½pc Non-Assd	206	......	−	−
84½	71½	Do. 4½pc 87-92 Assd.	84½	......	5.33	9.33

LOANS

Building Societies

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	99	N'wide Anglia 9¼pc 28.11.88	99	......	9.28	14.13
100	99	Do. 9¾pc 28.12.88	99½	......	9.80	12.64
100	98	Do. 9¾pc 23.1.89	99	....	9.88	12.63
100	98	Do 9¾pc 20.2.89	99¼	......	10.03	12.59
100	98	Do. 9¾pc 13.3.89	99	......	9.79	12.56
100	97	Do. 9⅛pc 17.4.89	98xd	......	9.32	12.52
100	97	Do. 9½pc 8.5.89	98	......	9.63	12.46
100	97	Do. 8⅞pc 30.5.89	98xd	......	9.10	12.48
100	93½	Do. 9¾pc 26.6.89	98	......	9.98	12.47
100	98	Do. 10⅝pc 17.7.89	98	......	10.82	12.48
100	94½	Do. 11pc 7.8.89	98	......	11.18	12.40
100	98	Do. 11⅝pc 29.8.89	99	......	11.76	12.36
100	99	Do. 12⅜pc 18.9.89	100	......	12.37	12.61
100	99	Do. 12⅞pc 2.10.89	100	....	12.93	12.22
101	87⅛	Do. 3⅞pc IL Ln 2021	100	−⅛	4.21	4.35

Public Board and Ind.

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96	90	Agric. Mt. 5pc '59-89	95	.....	5.26	8.51
48½	40	Met. Wtr. 3pc 'B'	47	.....	6.38	9.83

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Poll nerves hit US & Canada

THE US Presidential election dominated sentiment on the foreign exchanges yesterday.

As voters decide today who will be the next US President, dealers took a cautious view and failed to follow through with the wave of buying which followed Friday's US employment data.

The dollar - which rose sharply on Friday - fell back below DM1.79 and Y125, as traders squared positions ahead of the election.

Friday's stronger than expected employment news has introduced a note of uncertainty, but the market generally expects a weakening of the dollar once a new President is elected.

It was suggested that neither candidate is likely to come to grips with the twin US deficits on trade and the budget. The *dollar is therefore expected to* lose ground, but the speed of decline might be greater if Mr Michael Dukakis springs a surprise victory.

The dollar fell to DM1.7840 from DM1.7940; to Y124.70 from Y125.30; to SFr1.4935 from SFr1.5035; and to FFr6.0850 from FFr6.1175.

According to the Bank of England, the dollar's exchange rate index was unchanged at 95.5.

The Canadian dollar changed course, and received support from the Bank of Canada and Bank of England after an opinion poll gave the opposition Liberal Party a lead of 12 points over the ruling Conservatives, two weeks before the date of Federal elections. A poll last week showed the Conservative Party 6 points in front of the Liberals.

The Canadian currency weakened sharply on the news, with the US dollar rising to around C$1.2370 from C$1.2220. The Japanese yen continued to advance against the D-Mark, with the West German currency falling close to a strong technical support level of Y69.80. In Frankfurt the yen was fixed at a record high of DM1.4325 per 100 yen - equivalent to Y69.81 - compared with DM1.4310 (Y69.88) on Friday.

Dealers in Frankfurt said they expect the yen to remain *firm in terms of the D-Mark*, influenced by its fast rise against the dollar.

As attention focused on currencies outside Europe, the French franc traded quietly against the D-Mark. The D-Mark closed in Paris at FFr3.4117, virtually unchanged from Friday's finish.

Sterling was also on the sidelines, but had a generally firm undertone. A move out of the dollar later this week may boost the pound against the dollar, but if this happens it remains to be seen whether sterling will keep pace with the D-Mark and yen.

No major UK economic news is expected this week, but dealers were waiting for reaction to last night's interview on BBC-TV with Mr Nigel Lawson, Chancellor of the Exchequer.

Sterling rose 1 cent to $1.7755. The pound also climbed to Y221.50 from Y221.25, and to FFr10.8050 from FFr10.8000, but was unchanged *at DM3.1675, and fell to* SFr2.6525 from SFr2.6550.

On Bank of England figures, sterling's index closed unchanged at 76.7.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4793	+2.40	+0.80	±1.5344
Danish Krone	7.85212	7.99415	+1.81	+0.21	±1.5404
German D-Mark	2.05853	2.07457	+0.78	-0.82	±1.0981
French Franc	6.90403	7.07774	+2.52	+0.92	±1.3674
Dutch Guilder	2.31943	2.33981	+0.88	-0.72	±1.5012
Irish Punt	0.768411	0.775911	+0.98	-0.62	±1.6684
Italian Lira	1483.58	1541.38	+3.90	+2.97	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.7	Latest	Previous Close
£ Spot	1.7740-1.7745	1.7675-1.7685
1 month	0.50-0.49pm	0.52-0.51pm
3 months	1.47-1.45pm	1.50-1.47pm
12 months	4.95-4.85pm	5.15-5.05pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Nov.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7640 - 1.7765	1.7750 - 1.7760	0.52-0.49cpm	3.41	1.48-1.43pm	3.28
Canada	2.1665 - 2.1965	2.1960 - 2.1970	0.28-0.18cpm	1.26	0.73-0.60pm	1.21
Netherlands	3.56 - 3.58½	3.56¾ - 3.57¾	2-1⅞cpm	6.51	6-5¾pm	6.58
Belgium	65.20 - 66.60	66.25 - 66.35	32-20cpm	4.71	89-74pm	4.92
Denmark	12.18 - 12.23½	12.19¾ - 12.20¾	4¾-3⅞orepm	4.24	13¾-12¼pm	4.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	Nov.7	Previous
8.30 am	76.6	76.6
9.00 am	76.6	76.7
10.00 am	76.7	76.7
11.00 am	76.7	76.7
Noon	76.7	76.7
1.00 pm	76.8	76.7
2.00 pm	76.7	76.8
3.00 pm	76.7	76.7
4.00 pm	76.7	76.7

CURRENCY RATES

Nov.7	Bank rate %	Special* Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for Nov.4

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Nov 7	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Nov.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Nov 7	£	$
Taiwan	49.40 - 49.70	28.05 - 28.15
U A E	6.5050 - 6.5170	3.6725 - 3.6735

*Selling rate

EXCHANGE CROSS RATES

Nov 7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
B Fr.	1.508	2.679	4.778	334.1	16.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates firmer

INTEREST RATES edged slightly firmer in London yesterday, as financial markets adopted a cautious approach ahead of today's US Presidential election. The key three-month interbank rate was quoted at 12$\frac{3}{16}$-12⅛ p.c. from 12$\frac{3}{16}$-12$\frac{1}{16}$ p.c., while the one year rate moved up to 12⅛-12 p.c. from 12$\frac{1}{16}$-11$\frac{15}{16}$ p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

UK traders remain convinced that UK interest rates are more likely to rise than fall in the near term, given the authorities' determination to bear down on inflation.

The Bank of England forecast a shortage of around £750m, with factors affecting the market including bills maturing in official hands and repayment of any late assistance, together with a take up of Treasury bills, draining £1,207m, and Exchequer transactions taking a further £60m. These were partly offset by a fall in the note circulation of £440m, and banks' balances brought forward £80m above target.

The Bank gave assistance in the morning of £184m, through outright purchases of £43m of eligible bank bills in band 1 at 11⅞ p.c., £31m in band 2 at 11$\frac{13}{16}$ p.c. and £110m in band 3 at 11$\frac{11}{16}$ p.c.

*Further help in the after*noon came to £282m, and comprised purchases of £66m of eligible bank bills in band 1 at 11⅞ p.c.; £152m in band 2 at 11$\frac{13}{16}$ p.c.; £5m in band 3 at 11¾ *p.c.; and £59m in band 4 at* 11$\frac{11}{16}$ p.c. Late help came to £150m, making a total of £616m. Overnight interbank money traded between a low of 11¾ p.c., and a high of 14 p.c.

Short-term interest rates in Frankfurt were barely changed, although many traders expect rates to ease, because of the recent increase in commercial banks' rediscount allocations. Holding's with commercial banks are also likely to be swollen by payment of Christmas bonuses, and the Bundesbank may well take advantage of any increase in liquidity by reducing the size of this weeks's expected sale and repurchase tender. A previous facility matures tomorrow, draining DM16bn from the system.

A further injection of funds, is expected to follow on the lines of last week's variable rate facility. The Bundesbank is not expected to push rates firmer, given recent dollar weakness, while a more relaxed mood within the European Monetary System has removed pressure for lower West German rates, which would have assisted weaker members of the system.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.7) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)		Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]

Nov.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Nov.7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES

Bonds lower in nervous trading

US TREASURY bond and *Euro-dollar futures lost ground* in Liffe trading yesterday. Stronger than expected US employment data for October - released on Friday - continued to depress values, while inves*tors saw little incentive to* open fresh positions ahead of today's US election.

The December Treasury bond price opened at 89-19, down from 90-00 on Friday, and *slipped to a low of 89-10, before* closing at 89-13.

Three-month Euro-dollar futures were depressed by a slight rise in cash rates, as the dollar continued to lose ground. December Euro-dollars finished at 91.16 down from 91.20 at the start and 91.24 on Friday.

Sterling based instruments also carried a slightly weaker tone. *Interest rates were a little* firmer, while investors continued to digest the prospect of higher inflation well into next year. Although sterling was still firm, sentiment remained *clouded, and in relatively* low volume, the December long gilt price eased to 96-20 from 96-23 at the start and 96-29 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
90	640	711	0	3
92	440	516	0	8
94	242	328	2	20
96	52	158	12	50
98	5	56	129	148
100	1	22	325	314
102	0	8	524	500

Estimated volume total, Calls 1552 Puts 1333
Previous day's open int. Calls 33280 Puts 39444

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
82	727	716	1	24
84	529	534	3	42
86	332	363	6	107
88	143	243	17	151
90	28	142	102	250
92	6	63	244	407
94	2	35	440	543

Estimated volume total, Calls 63 Puts 249
Previous day's open int. Calls 5274 Puts 5533

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Nov	Calls-settlements Dec	Puts-settlements Nov	Puts-settlements Dec
17000	1382	1410	2	30
17500	897	973	17	93
18000	474	606	94	226
18500	185	336	305	453
19000	49	162	669	782
19500	9	68	1129	1188
20000	1	25	1621	1645

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 7

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements				Puts-settlements			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements				Puts-settlements			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements				Puts-settlements			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements				Puts-settlements			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
Sep	91.16	91.19	91.15	91.20
Dec	91.02	91.05	91.02	91.06
Mar	91.05	91.07	91.05	91.09
Jun	90.97	90.99	90.97	91.01
Sep	90.90	90.91	90.89	90.93

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6714	0.6721	0.6708	0.6698
Mar	0.6788	0.6792	0.6780	0.6766
Jun	0.6865	0.6865	-	0.6841
Sep	0.6910	0.6910	-	0.6908

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	275.55	276.10	275.05	276.25
Mar	278.20	278.70	277.95	279.05
Jun	281.00	-	280.55	281.75

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 31,169
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Barclays Bank	12	● Hill Samuel	§12	Yorkshire Bank	12
Benchmark Bank PLC	12	C. Hoare & Co.	12		
Berliner Bank AG	12	Hongkong & Shangh	12		
Brit. Bk of Mid East	12	● Leopold Joseph & Sons	12		
● Brown Shipley	12	Lloyds Bank	12		
Business Mtge Tst	12½	Meghraj Bank Ltd	12		
CL Bank Nederland	12	McDonnell Douglas Bk	12½		
Central Capital	12	Midland Bank	12		
● Charterhouse Bank	12	Mount Bnkg Corp.	12		
Citibank NA	12	Nat Bk. of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Saverise 8.47%. Top Tier-£10,000+ Instant access 11.06% & Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

COMPANY NOTICES

Extraordinary Meeting
Shareholders in
Svenska Cellulosa Aktiebolaget SCA

are hereby summoned to an extraordinary meeting to be held in the Mazur Room of Svenska Handelsbanken, Kungsträdgårdsgatan 2, Stockholm, Sweden, on Thursday November 24, 1988, at 5 p.m.

Notice of intention to attend, etc.

Shareholders who intend to participate at the meeting must be listed in the register of shareholders maintained by the Swedish Securities Register Center (VPC) no later than Monday, November 14, 1988 and notify SCA no later than 4 p.m. on Monday, November 21, 1988 either by mail to SCA, KSI, S-851 88 Sundsvall, Sweden, or by telephone at +46 60 193000 or 193116.

To participate at the meeting, shareholders whose shares have been registered in the names of nominees must temporarily re-register the stock in their own names at VPC. Such re-registrations must be in effect no later than Monday, November 14, 1988.

Agenda

Matters to come before the Meeting will include:

1. Election of Meeting Chairman;
2. Preparation and approval of list of voters;
3. Election of two minutes-checkers;
4. Determining whether the Meeting was validly convened;
5. The matter regarding the authorization for the Board to decide on either of the two alternatives set out in a) or b) below, such authorization to be valid until the 1989 Annual General Meeting of Shareholders.

a) an offering on the European or American capital market of convertible bonds without preferential rights for existing shareholders whereupon the conversion right would be for up to 1,800,000 non-restricted Class B shares,

b) or a bond loan with detachable warrants entitling the holder to subscribe for up to 1,800,000 new shares of non-restricted Class B shares, whereupon, foregoing existing shareholders' preferential rights, the subscription right shall accrue to either foreign investors or one of SCA's wholly-owned finance companies outside Sweden, which intends thereafter to issue on the European or American capital market a convertible bond loan conferring a right to obtain, in exchange for the convertible bonds, a certain pre-determined number of the aforementioned warrants.

If it obtains the authorization requested, the Company's Board will not utilize the authority it received at the 1988 Annual General Meeting of Shareholders to make an offering of up to 1,800,000 shares of non-restricted Class B shares on the American capital market.

The main intention of this Board proposal is to increase the distribution of the Company's share on markets outside Sweden.

The Board's proposal regarding the authorization, as well as the documents prescribed *by Chapter 4 §§ 4 of the Swedish Companies Act, will be available at SCA Headquarters,* Skepparplatsen 1, Sundsvall, Sweden, beginning on Thursday, November 17, 1988.

Sundsvall, November, 1988
The Board

Svenska Cellulosa Aktiebolaget SCA

EUROPEAN ECONOMIC COMMUNITY (EEC)
11% ECU Bonds due 1993

Numerical list

1) of the series including the 6,250 bonds drawn by lot and making up the entire ECU 6,250,000 nominal amount to be redeemed on December 14, 1988
From nr. 16680 to 22929 inclusive
2) of the series previously drawn by lot and repayable on December 14, 1987
From nr. 27781 to 34030 inclusive
3) of the series previously drawn by lot and repayable on December 14, 1986
From nr. 39641 to 45890 inclusive

Each of these bonds is repayable at ECU 1,000 at the offices of the following banks:

Banque Bruxelles Lambert S.A. / Bank Brussel Lambert N.V. Brussels
Banque Internationale à Luxembourg S.A., Luxembourg
Sparekassen SDS, Copenhagen

BANQUE BRUXELLES LAMBERT S.A./
BANK BRUSSEL LAMBERT N.V.
Fiscal Agent

VENTURE CAPITAL

The Financial Times proposes to publish this survey on:

30th November 1988

For a full editorial synopsis and advertisement details, please contact:

Tim Davis
on 01-248 8000 ext 4181

or write to him at:

Bracken House
10 Cannon Street
London
EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LONDON STOCK EXCHANGE

Pre-election nerves unsettle equities

The London equity market searched in vain for a prop to offset a general retreat yesterday. With only a handful of exceptions, there was little to prevent a decline that owed much to nervousness over the outcome of today's US Presidential election.

The FT-SE 100-share index ended a thoroughly uninspiring session showing a 14.6 fall to 1819.7, its fourth consecutive fall. At its lowest yesterday the FT-SE was down some 16 points.

Activity, including customer and inter-marketmaker business in equities, was described by one senior trader as "miserable," and by the end of the day totalled 331m, a poor comparison with last Friday's 566.7m and Thursday's 509.4m shares.

Prices opened with widespread reductions, partly instigated by traders looking to induce activity in the market and partly by the weakness of Wall Street last Friday and Tokyo overnight. There were few signs of a rally in mid-session and the market took another dive as Wall Street dipped sharply during the afternoon.

Reports from the US that Governor Dukakis had narrowed the gap between himself and Vice President Bush as the election moved towards a climax were depressing factors, but there appeared to be little doubts among London's trading fraternity that Republican Bush would carry the day in the election.

"We're more worried about what could happen to the dollar and thus sterling and UK exports to the US, than the possibility of Dukakis winning," was the comment from one dealer which seemed to reflect general sentiment.

Opinion among market commentators as to the likely immediate market response to the US election is that the dollar could well enjoy a bounce if Bush wins the White House.

County NatWest says, "worries about the US currency's inevitable demise after the big day – as central banks withdraw their pre-election intervention and impatience with progress on the trade deficit takes its toll – have already seen the dollar fall 7 per cent against the yen and 5 per cent against the D-Mark since the beginning of October. For this reason the post-election sell-off may have been pre-empted."

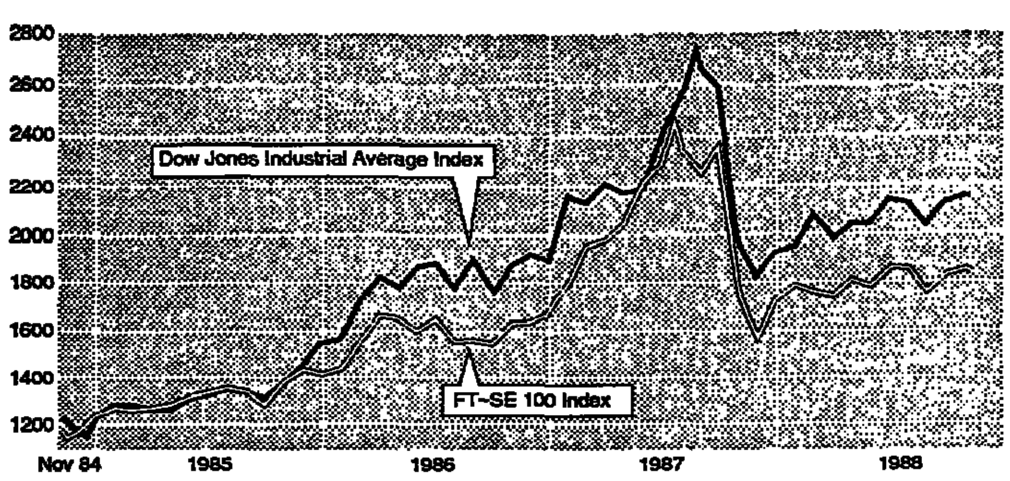
Nomura Research has similar views. Describing predictions that the dollar will fall after the election as "overworked," Nomura "suspects the dollar could be about to enjoy a temporary bounce before resuming its long-term decline."

Around the various sectors in London yesterday, Lonrho again captured the headlines with news that Bond Corporation has increased its stake to 20.5 per cent, reinforcing views that a takeover battle for the conglomerate could be looming.

Account Dealing Dates		
*First Dealings:		
Oct 31	Nov 14	Nov 28
Option Declarations:		
Nov 10	Nov 24	Dec 8
Last Dealings:		
Nov 11	Nov 25	Dec 9
Account Day:		
Nov 21	Dec 5	Dec 19

*New time dealings may take place from 9.00 am two business days earlier

How markets moved since last US elections



Lonhro serial continues

The chance of an amicable meeting between the chief executive of Lonrho and the chairman of major shareholder Bond Corporation seems to be fading. Weekend publication of an exchange of letters gave the impression that relations are not as friendly as previously thought and the market yesterday was leaning towards the Australian group launching a contested bid.

Reports of Bond Corporation having increased its holding to 23 per cent proved wide of the mark. An official announcement that the stake had risen only marginally to 20.5 per cent left traders pondering over the destination of some of Friday's heavy purchases and also of further sizeable demand yesterday. "I'm still of the impression that more than one big buyer is operating", said a leading marketmaker.

Several large lines of stock changed hands, swelling turnover to 13m shares as the price vaulted higher to close 9 up at 422p. Analysts take the view that whatever Mr Bond's intentions, be they either a full-scale offer for Lonhro or an attempt to force Mr Tiny Rowland and the Lonrho board into a management buy-out, there is scope for fresh upside potential in the shares.

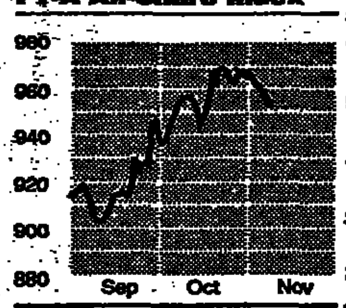
Awaiting Wellcome

With its full-year figures scheduled for Thursday, Wellcome was never going to be the most active stock in the market, but turnover of 514,000 shares was judged as respectable as the price fell 2 to 452p.

Analysts view this week's results as a crucial indicator of the company's progress, particularly the progress of Retrovir, the anti-AIDS drug on which much of Wellcome's stockmarket rating rests. The range of forecasts is wide, said to be from £200m as high as £230m, largely as a result of confusion over the sales performance of Retrovir, on which there has been little firm news since the Stockholm AIDS conferecne earlier this year.

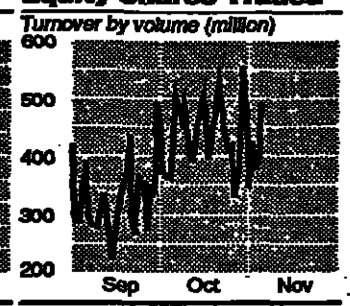
Ian White and Barbara Arzymamow, analysts at Kleinwort Benson Research, are forecasting £222m, near the top end of the range. They agree that Wellcome currently represents a classic two-way bet and recommend holding the shares ahead of the results. For funds measured against the All-Share Index, they recommend a neutral weighting on the grounds that if Retrovir becomes the drug of choice for treating AIDS patients, then the upside in the shares outweighs any downside should a competitor successfully launch a rival drug. Glaxo's Carbovir is thought to be the most likely competition, but as the Kleinwort analysts point out, "if Retrovir does become the drug of choice, Wellcome shares are cheap."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Cable's HK details

Cable & Wireless duly announced intital details of the flotation of its Hong Kong Telecom subsidiary, but ran in to a battering from dealers who marked the shares down 9 to 388p. Turnover of 1.6m reflected the lack of investor business on a day when most institutions were standing aside, preferring to wait for the results of the US presidential election.

Analysts pointed out that several aspects of yesterday's announcement were slightly disappointing, notably C&W's decision to float off only between 6.4 and 7.1 per cent of HK Telecom, as opposed to the 11 per cent that was widely forecast. Patrick Hickey, electronics and telecommunications analyst at Chase Manhattan Securities, said: "Clearly C&W has elected to sell as much of HK Telecom as it thinks it can, and I have no doubt that the issue will be priced to ensure its success." The price will be fixed in December.

C&W reports interim results on Wednesday 16 November, with most analysts anticipating good figures. Chase Manhattan is forecasting £214m, up by 29 per cent from £165m and adjusted to include C&W's profits from the recent sale of its near 2 per cent stake in Racal.

Activity in the oil sector picked up substantially ahead of a number of important events over the next couple of weeks. Sentiment was given a minor boost by the performance of crude oil prices – Brent oil for December delivery moved back above the $13 a barrel level in front of the forthcoming round of OPEC meetings which will culminate in a Ministerial meeting in Vienna on November 21.

Turnover in BP expanded rapidly with dealers reporting keen US interest after a bullish article in the US press which highlighted a positive note from securities house C.J. Lawrence. BP's third quarter results are due on Thursday, along with Shell's third quarter figures.

BP old settled slightly easier at 246p on turnover of 5.6m while the new ended the day a fraction off at 143p with 7.2m shares changing hands. Shell slipped 10 to 966p.

NatWest was finally 8 off at 532p after announcing that it will introduce an interest-bearing current account early next year. Dealers said that little significant selling developed after the news. Barclays made a similar announcement and lost 5 to 404p, while Lloyds, which instigated the interest-paying account with its "Classic" account, fell 4 to 331p. Midland, expected to take a 40 per cent stake in Italian investment bank Euromobiliare, eased 4 to 405p.

Composite insurers were broadly lower in front of the first batch of third quarter figures from the leading companies in the sector, expected tomorrow. They were additionally weakened by fears that the Californian electorate may vote on Tuesday for rate reductions in virtually all lines and not just for automobile insurance.

The brewery sector was unexciting. Scottish & Newcastle closed unchanged at 401p as the company posted its defence document against the £1.6bn bid from Elders IXL. Dealers reported small sellers as 878,000 shares were traded.

A £6.16m acquisition, to be satisfied by the issue of new shares to the vendors, boosted Baldwin 23 to 163p, but gains elsewhere among Buildings were few.

The stores sector featured interim results from N Brown, the mail order group, which took the market by surprise; "very disappointing," said one dealer. A 3.4 per cent fall in profits, largely caused by loss of sales during the postal strike, combined with an uncertain outlook for the full year to dent the market's confidence and the shares were marked sharply lower to 180p, a fall of 22p.

Amstrad was a weak market, falling 8¼ to 187½p in turnover of 3.8m shares on fears for the retail sector and a severe £10m downgrading to £185m for 1988 by County NatWest WoodMac. Analysts at Warburg Securities retain their positive view on the stock, but recognise that it is vulnerable to swings in sentiment. "While the first half performance may not be especially inspiring, the second half should be better and we are sticking with our full-year forecast of £190m," they say.

Racal suffered early on, falling as low as 278p before a late rally saw the shares end at 281p after turnover of 3m. GEC was steady at 172p in turnover of 3.7m shares, down with the market.

NEI remained in favour, rising 2¼ to 132½p amid talk that an announcment from Rolls-Royce may be imminent. Ferranti was a steady market, edging down 1¼ to 93p after good weekend press comment.

Westland proved sensitive to a newspaper story of uncertainties over the MOD development contract for the EH101 utility helicopter and lost 5 to 101p, but Ratcliffs (Great Bridge) benefited from speculation about the Bromsgrove stake and rose 5 more to 158p.

Food stocks were somewhat depressed by talk that Goodman Fielder Wattie had failed to find any bidders for its 29.9 per cent stake in Ranks Hovis McDougall which it bid for earlier this year. RHM shares went into a tumble as one dealer knocked prices ever lower before they settled at 376p, a fall of 16½p. Turnover was 3.6m as dealers commented that a more likely explanation was that Goodman had received offers for its stake, but that the offers were at a price below that asked by Goodman.

Associated British Foods reported disappointing interim results and the shares fell 6½ to 319p in thin turnover.

The recent large buyer began mopping up shares of Boots, thwarting any serious downturn in the price which closed little changed at 225p. Many other Alpha stocks weakened, however, including Pilkington (222p) and English China Clays (481p). Dealings in both Suter, at 241p, and Thomson T-Line, 71p, were suspended pending an announcement; none was made yesterday, but the market is convinced agreed merger terms will be disclosed soon.

Trusthouse Forte gained 3 to 267p, after 272p, in turnover of 3.4m shares, amid talk that a Hong Kong-based company or consortium would launch a bid for THF today. Dealers expressed considerable scepticism, but noted that there was a slight stock shortage.

Gloomy half-year results from GT Management, down 8 at 148p, cast a shadow over the Financial Trust sector. Profits were below the most pessimistic forecasts, but the key figure, that derived from investment gains, was not given in the release. Mr Phillip Gibb, sector analyst with CL-Alexander Laing & Cruickshank, believes the group will almost certainly have a better second half.

Turnover in traded options reached a modest total, with 15,905 calls and 16,643 puts making an aggregate of 32,368, slightly up on mid-summer figures, but below more recent levels. Index trading lay in matched bargains of 1,938 calls and 3,140 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (28). BRITISH FUNDS (8) BANKS (1) TSB Channel Islands, BUILDINGS (3) Bailey (B.), Newarthill, Pochins, ELECTRICALS (4) Brick, NEI, Prestwick 7¼pc Pf., Renishaw, ENGINEERING (4) Booth Inds., Heath (S.), Morris Ashby, Ratcliffs (G.B.), INDUSTRIALS (5) AAF Invs., Barry Wehmiller, EIS, Nu-Swift, Young (H.), LEISURE (1) Stanley Leisure, TRUSTS (4) Electra Inv. Tst., Liberty All-Star, Candover Inv., General Oriental.

NEW LOWS (40). BRITISH FUNDS (2) Treas. 13pc '90, Exch. 12½pc '90, AMERICANS (1) Eaton Corp., CANADIANS (2) Gulf Canada, Imperial Oil, BANKS (1) Woodchester, BUILDINGS (2) Bucknall Austin, NSM, STORES (5) Brown (N.), Dixons Grp., Etam, French Connection, Shani Grp., Specialeyes, ELECTRICALS (3) Personal Comps., Security Tag Systems, TDK Corp., ENGINEERING (1) Richards Grp., FOODS (2) Barker & Dobson, Ptarmigan Hldgs., INDUSTRIALS (6) Copymore, Baxter Int'l. Inc., Dover Corp., Fobel Int'l., J.S. Pathology, SmithKline Beckman. NEWSPAPERS (1) Accord Pub., PROPERTY (2) Ewart, Rockfort Grp., TRUSTS (2) Int'l. City Hldgs., Parrish, OILS (3) Aran Engy., Sceptre Res., Total-Cie, MINES (5) Loraine, Jason Mining, Jingellic Mnls., Mawson Pacific, McKinley Rd. Lake, THIRD MARKET (1) Far East Res.

FINANCIAL TIMES STOCK INDICES

	Nov. 7	Nov. 4	Nov. 3	Nov. 2	Nov. 1	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.59	88.82	89.02	89.19	89.33	92.34	91.43 (18/4)	88.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.43	97.57	97.60	97.68	97.73	95.47	98.87 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1475.0	1485.6	1489.5	1495.6	1507.7	1232.0	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	174.0	174.5	175.3	169.9	169.1	277.6	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Nov. 7	Nov. 4	Nov. 3	Nov. 2	Nov. 1	Year Ago
Ord. Dl. Yield	4.74	4.71	4.69	4.67	4.64	5.00
Earning Yld %(full)	11.94	11.85	11.80	11.76	11.68	12.42
P/E Ratio(Net)(☆)	10.14	10.23	10.27	10.30	10.37	9.84
SEAQ Bargains(5pm)	23,092	22,985	21,732	22,599	23,472	30,734
Equity Turnover(£m)†	-	1324.63	1083.41	929.50	927.90	924.66
Equity Bargains†	-	24,122	23,198	22,968	24,228	34,261
Shares Traded (ml)†	-	496.1	393.7	373.7	411.5	456.7

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
-	1477.0	1476.1	1477.3	1476.0	1475.6	1474.1	1474.0

DAY'S HIGH 1479.8 DAY'S LOW 1473.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.05 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Nov. 4	Nov. 3
Gilt Edged Bargains	121.0	111.3
Equity Bargains	158.3	150.3
Equity Value	2677.4	2189.8
5-Day average		
Gilt Edged Bargains	110.2	108.5
Equity Bargains	152.5	159.1
Equity Value	2036.0	1961.6

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	510	143	-1½	Commercial Union	363	335	-2	Ladbroke	293	442	-2	Rothmans	335	469	-5
Abbey Life	906	202	+1½	Cons. Gold Fields	139	£11¼	-¼	Land Securities	407	584	-4	Royal Bk of Scotlan.	1,600	334½	-8½
Allied-Lyons	1,250	462	-5	Cookson	1,000	277	-5	Laporte	307	386	-1½	Royal Insurance	499	380	-2
Amstrad	3,800	187½	-8¼	Courtaulds	2,000	287	-4½	Legal & General	480	294	-3½	STC	156	279	-2
Argyll Group	911	166	-2½	Dalgety	251	330	-4	Lloyds Bank	716	331	-4	Saatchi & Saatchi	220	345	-4
Ass. Brit. Foods	527	319	-6½	Dixons	863	140	-1	LASMO	558	494	-3	Sainsbury	998	209	+1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

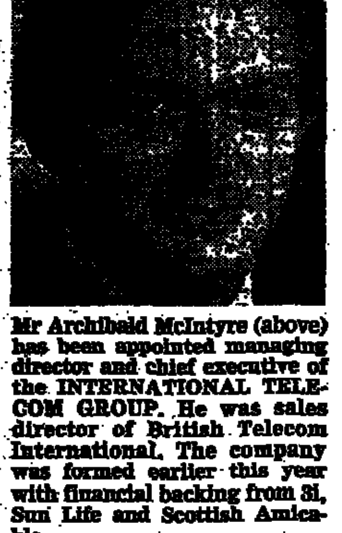
John Laing company restructure

■ JOHN LAING CONSTRUCTION has appointed Mr John Armitt as chairman of overseas and management (overseas), and chairman of UK civil engineering. Mr Bryan Gregory has been appointed chairman of building, with responsibility for the 12 regional businesses, and Holloway White Allom. Mr John Allen becomes chairman of management (Europe). He is also chairman of EPL Plant and Access Hire. Mr David Blair has been made chairman of all construction services.

■ Mr Carroll Reeve has been appointed to the new post of deputy managing director of the HUMBERCLYDE FINANCE GROUP. He is succeeded as group finance director by Mr Mike Dix, who was group financial controller.

■ SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY has appointed Mr Maxwell Ward as a non-executive director. He is a partner at Baillie Gifford & Co.

■ Mr James Foley and Mr Norman N.W. Dunlop have been elected to the board of FOSTER WHEELER ENERGY. Mr Foley was general manager of the Johannesburg office, and succeeds Mr Ernie D. Hibbert, who has retired, as general manager of the process plant division. Mr Dunlop, who will have special responsibility for projects, was project manager of the Shell Stanlow upgrading.



Mr Archibald McIntyre (above) has been appointed managing director and chief executive of the INTERNATIONAL TELECOM GROUP. He was sales director of British Telecom International. The company was formed earlier this year with financial backing from 3i, Sun Life and Scottish Amicable.

■ ALEXANDER HOWDEN has appointed Mr Michael Gauge as deputy chairman and chief executive officer, non-marine international division; and Mr Geoff Sloan as managing director and chief operating officer of the division.

Barclays regional director

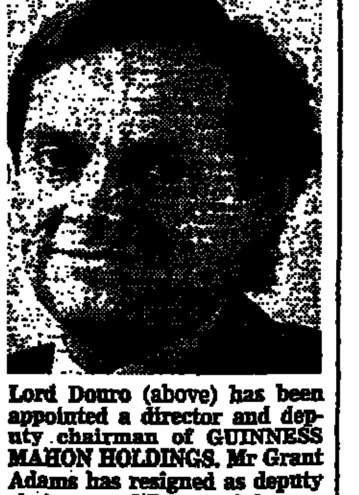
■ Mr Bob Russell has been appointed regional director of BARCLAYS BANK's London southern region. Mr Russell, who was branch director at 33 Old Broad Street, succeeds Mr Ken O'Shea who is retiring.

■ Mr Roy Fraser has resigned as managing director of Trutex, and will now concentrate on the role of director, projects, at TOOTAL GROUP centre. Mr Eric Whitehead succeeds him at Trutex. Mr Whitehead was responsible for schoolwear operations.

■ Mr Alastair Blair has been appointed a director of CAUSEWAY CORPORATE FINANCE, a subsidiary of Causeway Capital. He was in charge of the business development unit in the corporate finance department of Hill Samuel.

■ THE ASSOCIATION OF INTERNATIONAL SAVINGS BANKS IN LONDON has appointed Mr Klaus Zirkel, general manager of Bayerische Landesbank, as chairman. Mr M. Winston, senior assistant general manager, TSB England and Wales, has been re-elected president.

■ CADBURY SCHWEPPES has appointed Dr Adrian Gozzard to succeed Mr Peter Reay as group personnel director when Mr Reay retires early in 1989. Dr Gozzard joins the group on January 2. He is corporate director of personnel in the Plessey Group.



Lord Douro (above) has been appointed a director and deputy chairman of GUINNESS MAHON HOLDINGS. Mr Grant Adams has resigned as deputy chairman while remaining on the board. The Marquess of Douro is the heir of the eighth Duke of Wellington. He is MEP for Surrey West; chairman, Deltec Securities; deputy chairman, Deltec Panamerica; and a director of Continental & Industrial Trust; Global Asset Management Worldwide Inc.; Sun Life; and Transatlantic Holdings.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27⅛	21	Texas Instr. $1	21½xd	.....	72c	–	2.0
70	43¼	Time Inc. $1	62xd	–	$1.00	–	0.9
21½	15⅞	Transamerica $1	19xd	+	$1.84	–	5.6
20⅛	14⅛	TRINOVA Corp.	14½xd	–	64c	–	2.6
19	15⅛	USX $1	15¾xd	–	$1.20	–	4.5
24	17⅝	Utd. Technologies	23xd	–	$1.60	–	4.1
34⅛	26¼	US West‡	32½	.....	$3.52	–	6.4
24⅞	16⅜	Waste Management $1.	22½	–⅛	48c	–	1.3
16⅞	12⅞	Whirlpool $1	15	.....	$1.10	–	4.3
33	18⅛	♦Woolworth $3½	30½	+	$1.64	–	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp ‡	183p	+5	–	–	–
32p	11p	♦Abbot Energy Corp.	15p	.....	–	–	–
14¼	916p	♦Amer. Barrick Res.	994p	–6	–	–	–
10p	2⅞p	American Lightwave	3¼p	.....	–	–	–
47p	7½p	♦Armeno	9½p	.....	–	–	–
76p	37p	Augmitto Expln.	47½p	–½	–	–	–
14¼	10½	Bk. Montreal ‡	12¾	.....	$2.00	–	7.6
769p	514p	Bk. Nova Scot. ‡	659p	.....	76c	–	5.6
18¼	15¼	BCE ‡	17½xd	.....	$2.44	–	6.8
718p	591p	♦Bow Valley‡	596p	.....	♦40c	–	3.3
13⅛	10½	♦Brascan‡	12¼	.....	88c	–	3.5
328p	183p	♦Breakwater Res.	201p	–1	10c	–	2.4
12⅛	801p	Can Imp Bank‡	11¼	.....	$1.16	–	5.0
11½	841p	Can. Pacific ‡	961p	.....	76c	–	3.8
41½	36½	Do. 4pc Deb £100	38½	.....	4%	–	10.4
515p	362p	Central Capital "A" ‡.	389p	–2	–	–	–
485c	378p	♦Corona Corp.	411p	–9	–	–	–
886p	265p	Cons. TVX Min.	280p	–2	–	–	–
371p	76p	Danbus Res.	98½p	+½	–	–	–
686p	430p	Derlan Inds	503p	–32	11.75c	–	1.1
14⅛	849p	♦Echo Bay Mines	874p	–16	$0.07	–	0.5
40p	11½p	Energex Minerals	15p	.....	–	–	–
125p	83p	Euro-Asia Capital Ltd	91½p	–½	–	–	–
386p	222p	♦Galactic Resources	274p	–8	–	–	–
125p	59p	♦Geodome Res	66½p	–7½	–	–	–
394p	164p	Granges Expln‡	183p	+3	–	–	–
17p	4½p	♦Gt Pacific Res.	4½p	.....	–	–	–
903p	621p	♦Gulf Canada‡	621p	.....	52c	–	4.1
12⅛	816p	♦Hawker Sid Can‡	984p	.....	$1.08	–	5.3
590p	344p	Henlys Group	411p	–27	–	–	–

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4Xa)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ∅ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	71	.....
Craig & Rose £1.. y	700	−10
Finlay Pkg 5p.... y	86	......
Holt (Jos) 25p..... y	£11⅝	....

IRISH

Cap 8½% Ln 1991	£99⅝	......
9pc Cap Ln. 1996	£103¼	......
Fin. 13% 97/02...	£124¼	....
Arnotts .... y	985	.....
Carrol Inds.......... y	162	+1
Grafton Grp.. .... y	150	......
Hall (R. & H.).......	152	.....
Helton Hldgs... .. y	60	−1
Irish Ropes.......... y	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	30
Land Securities	32
MEPC	50
Peachey	34
Oils	
Brit Petroleum	21
Do. (P Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

Ivory Coast keeps market guessing over cocoa plan

By David Blackwell

THE IVORY Coast, the world's biggest cocoa producer, is keeping the terminal markets in both London and New York guessing about its next move to boost prices.

Rumours swept the markets last Friday that the Ivory Coast had concluded its long awaited deal with France to take a possible 400,000 tonnes of its cocoa. In addition, a meeting of the Cocoa Producers Alliance (CPA), scheduled to start yesterday in Lome, was expected to lead to other producers joining the Ivory Coast in withholding supplies.

Prices leapt, the March position putting on £44 a tonne in London to £854 a tonne on Friday, while in New York the March contract closed at $1,408 a tonne, up from $1,313.

However, continued political wrangling in France seems to have left its aid package to the Ivory Coast deadlocked. And a meeting of the CPA countries' agriculture ministers ended on Saturday with yesterday's scheduled heads of state meeting postponed indefinitely.

Prices in London continued to rise early yesterday, but later fell back. The March position closed at £845 a tonne, down £9.

The France/Ivory Coast deal would lead to the subsidised sale of 200,000 tonnes, with a further 200,000 tonnes going into storage in Europe.

Storing any Ivory Coast cocoa in the current market situation would make France a lot of enemies, one analyst observed yesterday. Another pointed out that Friday's rumour was "the fifth time the deal has been confirmed."

Mr Tony Chadwick, cocoa analyst with Prudential Bache, said prices would consolidate. But other producers, especially Malaysia, would sell into the markets at these levels.

He also said the Ivory Coast would, if it continued to pursue its current policy, lose an increasing amount of its leading market share as manufacturers turned to other sources.

Iron ore shipments threatened

By Chris Sherwell in Sydney

A PROTRACTED industrial dispute means BHP, the Australian resources and steel group, will almost certainly be unable to meet its commitments to supply 36m tonnes of iron ore in the current year.

It said yesterday that "as a result of the present situation" there would have to be an adjustment to its production target. It added that the problem was being discussed with its customers.

The dispute is over the removal of restrictive work practices at the group's 85 per cent-owned Mt Newman Mining operation in the Pilbara region of Western Australia, and in the past few days has led to a strike by angry unions resisting management efforts to secure changes.

In a desperate move late last week, BHP sent in staff employees to help unload trains and load waiting ships at Port Hedland on the Indian Ocean coast. Yesterday the state's Industrial Relations Commission was conducting hearings into the case as part of an arbitration process. Operations at the port and the mine will not resume until a decision is handed down.

BHP has contracted to deliver 36m tonnes of ore in the year to next May, some 2m tonnes more than it produced in the previous twelve months. But production at the vast Mt Newman operation has so far been running at less than last year's rate, and the company has virtually no stockpile.

A company official said yesterday things had not yet reached the point where ships were not being loaded. Two vessels were filled and sailed on Saturday. But market analysts said if the dispute was not resolved quickly it could have a significant impact on the spot market.

The world iron ore market has strengthened over the past year because of buoyant world economic activity and firm steel demand, especially in Japan, one of Australia's major customers.

Demand for the lump ore which is produced by Mt Newman is stronger than for iron ore fines, principally because the lumps do not need to be sintered and there is a shortage of sintering capacity, particularly in Europe.

This imbalance would normally be a cause for optimism at Mt Newman, but the company is instead confronted with a production crisis which could hurt it badly and yield an unnecessary advantage to the nearby operations of CRA's Hamersley Iron and North Broken Hill Peko's Robe River group.

Both of these competitors have already implemented changes in work practices over the past couple of years, with some pain. Robe River, in particular, saw a now-celebrated clash between unions and management in 1986 which ended in defeat for the unions and revolutionised productivity.

Regarding the world market, BHP said yesterday that its current industrial problem, combined with Hamersley's stock rundown and a loss of tonnage because of a Brazilian terminal accident, would together result in a tightening of the overall iron ore supply position.

This, it said, underpinned the generally held view among producers that, in forthcoming price negotiations, "prices need to rise by a substantial percentage, with an additional percentage over and above to mark the differential between fines and lump."

Zaire and Zambia raise cobalt price

By Nicholas Woodsworth in Lusaka

ZAIRE AND Zambia, the two largest producers of cobalt, have agreed to raise their world market prices for the metal by 12 per cent from $7.50 to $ 8.40 a pound.

A joint agreement on the price rise was signed on Friday in the Zambian capital of Lusaka by the Zairean state mining company Gecamines, the Metal Marketing Corporation of Zambia, and Zambian Consolidated Copper Mines, the state-controlled consortium responsible for cobalt production.

The two countries, which together are responsible for some 75 per cent of non-Communist world production of cobalt, have co-operated on pricing and production policy since ending a competitive price war two years ago.

In August of 1986 world prices had fallen as low as $3.70 a lb from 1985 highs of about $11 a lb. Following a stabilisation agreement in September 1986, Zaire and Zambia fixed their price at $7 a lb. In January of this year it was raised to $ 7.50.

Western nations buy some 20,000 tonnes of cobalt annually, of which Zaire produces 10,000 tonnes and Zambia 4,000 tonnes.

Producer backing for LME zinc contract

By Kenneth Gooding, Mining Correspondent

ZINC PRODUCERS are showing their support for the new London Metal Exchange special high grade (SHG) zinc contract by putting metal into the LME warehouses at a time when their own stocks are very low.

This became clear yesterday when the exchange announced that SHG stocks increased by a net 5,600 tonnes last week to 8,500 tonnes.

Analysts suggested that this put the LME stocks well on target to reach between 20,000 and 25,000 tonnes by the end of this year, a level which would ensure the new contract had enough liquidity to work properly.

Mr John Harris, an analyst with Rudolf Wolff, the London-based metal trader, pointed out that the producers had put pressure on the exchange to introduce the SHG contract because it more accurately reflected the metal they currently produce.

Special high grade zinc is of 99.995 per cent purity compared with the 99.9 per cent purity of the High Grade zinc also quoted on the LME.

The new contract was launched in September and the first "prompt" or cash date is December 1.

Turnover had been increasing slowly but surely to about 2,500 tonnes a day and the High Grade zinc contract eventually could die a natural death, said Mr Harris, and the exchange would not have to force it out of existence.

The special high grade contract is also expected to replace the European Producer Price (EPP) of zinc, which is widely used in contract negotiations.

Cominco, the Canadian group, late on Friday increased its EPP to a record $1,500 a tonne from $1,425 but, only one or two other companies followed suit. Mr Harris suggested that Cominco's move was poorly timed because the market was already trying to absorb the very sharp rise in zinc prices in recent months.

In response to the news about the increase in LME warehouse stocks yesterday the SHG three months delivery price fell by $35 a tonne to $1,422.50.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	−475	to 33,225
Aluminium high grade	+4,725	to 103,750
Copper Grade A	+125	to 70,050
Lead	−150	to 59,425
Nickel	+338	to 1,758
Zinc	+3,975	to 22,425
Tin	−450	to 8,320
Silver (oz).	unchanged	at 15,176,000

Hard labour in Soviet agriculture

Outdated machinery limits production from the Ukraine's rich soil

THE SUGAR beet harvest was in full swing on the massive 800-acre field. The terrain was gently rolling and the quality of the land was obviously excellent, like so much of the Soviet Republic of the Ukraine.

I had been there before. The last time was six months ago, when the sugar beet seedlings had just emerged above the surface of the soil and were being thinned to the desirable plant population of about 30,000 per acre by dozens of bent-backed women wielding short hoes.

The practice has been gratefully abandoned in Britain since the introduction 20 or more years ago of reliable mono-germ sugar beet varieties and precision planters which place each seed the correct distance from its neighbour.

But natural sugar beet which has not had its genetic make-up manipulated produces clusters of seeds which all grow. To ensure that each root has room to develop to a viable size surplus plants must be laboriously removed by hand. Soviet seed breeders are clearly some years behind those in Western Europe.

Nevertheless, back in May, the crop looked full of promise. The density of the plant stand after thinning looked about right; the seedlings were healthy and the fertile soil was moist and free of weeds.

By late October those plants had matured. Given the limitation of rainfall in the region, the high-temperatures of July and August and the relatively unsophisticated fertiliser used, the resulting crop was as good as could be expected.

The yield was probably about 14 tonnes to 15 tonnes per acre and the sugar content of the roots, I was told, was averaging around 15 per cent. On our Norfolk farm this year most crops are yielding about 18 tonnes per acre at 17 per cent to 18 per cent sugar. But the biggest difference between the Ukraine and East Anglia was the relative inefficiency of Soviet farm machinery.

The harvesting equipment the Ukrainians were using was old and inadequate for the size of the task they were attempting. It consisted of a tractor-drawn machine which flailed the leaves off the beet six rows at a time and blew them into a trailer running alongside to be used later as cattle fodder. Next came a scalper, also pulled behind a tractor, which sliced the tops off the roots as they stood in the soil. Finally came yet another tractor pulling a lifter/elevator, which dug the roots out of the land and delivered them on to another trailer alongside.

On many farms in Britain these days, that whole job is done by one self-propelled harvester which combines all of those tasks. Western European sugar beet harvesters also have a facility for separating sugar beet from unwanted weed and for dropping the latter back on to the ground.

Not so in the Ukraine. The weed-free crops which I had seen in the Spring had clearly not been hoed or sprayed with herbicide again during the summer and a mat of grass weeds had grown among the roots.

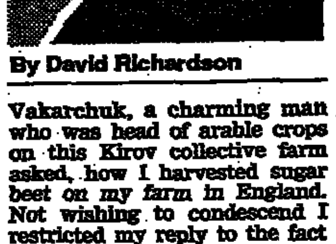
The harvesting machinery, unable to distinguish between the two, was delivering both on to the trailers so that every load consisted of about two-thirds sugar beet and one-third weed.

But the roots could not be delivered to the processing factory in that condition. The weeds would have clogged machinery. So the mixture was being tipped in a long pile on to a part of the field already cleared and the same women who had hoed the crop proceeded to turn them over one root at a time leaving the grass weeds where they had fallen and making another pile of beet a few yards away. The job employed dozens of middle-aged and elderly women.

On another part of the field, more women wearing characteristic aprons and coloured headscarves were compensating for yet another shortcoming of the Soviet-built harvesters. Working with a man who controlled a pair of horses pulling a small cart, they were picking up the roots the machine had left on the land. At a guess they were having to clear up 10 per cent to 15 per cent of the crop, again by hand, one sugar beet at a time.

My host, Ivan Georgievich

FARMER'S VIEWPOINT



By David Richardson

Vakarchuk, a charming man who was head of arable crops on this Kirov collective farm asked, how I harvested sugar beet on my farm in England. Not wishing to condescend I restricted my reply to the fact that we tried to grow the crop without any hand labour.

"Yes," he said, "that is something we must work towards, but as you can see our machinery does not allow that at present. We hope that in five years it will be possible."

I wished him well but wondered, if he was successful in achieving his ambition, what he would do with all the women who would presumably become redundant. "That will not be a problem," he replied. "They are getting old and will soon be unable to work. The younger women will work in factories, not on the land."

I had indeed previously been told of a new plant which was to be built in the nearby village to process some of the food produced on the farm. There were further plans to start small electronics and plastics production units as the collective changed its emphasis away from agriculture.

In Moscow meanwhile, Mikhail Gorbachev, the Soviet leader, was announcing more reforms aimed at improving the efficiency of farming across the Soviet Union. For the plain fact is that planned decentralisation of management and the introduction of incentives which pay farm workers more if they produce more are not increasing supplies in the shops fast enough for an impatient urban population.

A conversation I had on another Ukrainian field last May epitomised the problem. A gang of six workers were planting maize seed on a National Holiday. Why, I asked them, were they working while others were taking the day off? "Because the weather is good and the job needs doing and perestroika means we will earn more if we produce more than the previous collective farm management," came the reply.

It emerged that this was the second year the gang had been responsible for the maize crop so I asked how much they had increased yields last year. Embarrassed, they conceded that yields had not improved but that the reason was that because the centrally-ordered fertiliser, the timing of which was critical to the success of the crop, arrived six weeks late.

The food queues continue, therefore, and Soviet consumers are in danger of becoming disillusioned with perestroika. The inadequacy of machines like sugar beet harvesters and the continuing inefficiency of the bureaucracy were cancelling out attempts to restructure the rural economy.

So Mr Gorbachev is going back to first principles. Referring to Stalin's enforced collectivisation of the land between 1929 and 1932 at a recent meeting of farm officials in Moscow he said: "When we separated the people from the land . . we turned them from masters into mere hirelings." And he went on to declare that the Soviet Union must now give that land back to those who farm it.

Accordingly, Soviet citizens will shortly be encouraged to lease blocks of farm land from the state to farm in their own way for up to 50 years. "And this idea," said Mr Gorbachev, "should be taken up by the entire agrarian sector."

It was an amazing statement, but even more amazing perhaps was the enthusiastic response of Mr Vakarchuk when, back at the Kirov collective, he gave his reaction to the strategy. "It will," he said, "enable farming families to feel they are working not just for the state, not just for themselves, but for their children who will be able to inherit what their parents have created."

David Richardson was in the Soviet Union making films for Anglia Television's Farming Diary series.

Cotton overproduction poses problem for India

By R.C. Murthy in Bombay

OVERPRODUCTION has returned to haunt the Indian cotton industry.

The official estimate is for a 1988-89 crop of 10.8m bales of 170 kg each – surpassing the 1985-86 record of 10.7 m. bales – but traders and growers are forecasting production at more than 11.5m bales.

An increase in support prices boosted the acreage under cotton by nearly 15 per cent from 6.98m hectares last year and good monsoon rains throughout the country ensured big crops in eight out of the ten 10 cotton-growing regions. Subsequent fears that late September floods in North India would damage crops proved unfounded and hot weather in October in fact proved beneficial for harvesting the early crop.

The immediate objective of the Government is to prevent a crash in prices and a plan is being drawn up for price stabilisation. The Reserve Bank of India, the country's central bank, is to relax the criteria for commercial bank lending against cotton.

The Government is also reconsidering the introduction of forward trading

Exports of short and long-staple cotton this year are certain but the timing and quantity will be decided after the Government, growers and users decide on the size of the exportable surplus.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices came under pressure from belated profit-taking by merchants and stale-bull liquidation after stocks in LME warehouses rose by by 336 tonnes – more than had been expected. However, total holdings romain low at 1,758 tonnes after falling the previous week to the lowest level since August 1982. Cash metal fell by $1,000 to close at $11,450 a tonne, leaving the premium over three-month metal at $850 a tonne compared with Friday's $1,350. Analysts said the market is now expected to retrace to the major chart support base at $4.50 a lb ($9,918 a tonne). Copper prices also retreated, again with profit-taking following last week's advances, which were fuelled by sound Chinese demand and the continuing miners' strike in Peru. Coffee prices rallied towards the close as New York opened higher, but volume was light.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.75-0.85x	-0.10
Brent Blend	$12.70-2.80	+.025
W T I. (1 pm est)	$14.02-4.05x	-0.08
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$176-178	+0.5
Gas Oil	$124-126	+2.5
Heavy Fuel Oil	$60-62	+0.5
Naphtha	$131-133	-1
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$421.0	+0.5
Silver (per troy oz)♣	645c	+4
Platinum (per troy oz)	$579.25	-7.5
Palladium (per troy oz)	$125.00	+0.60
Aluminium (free market)	$2475	-45
Copper (US Producer)	158¼-161c	
Lead (US Producer)	40¼c	
Nickel (free market)	570c	-15
Tin (European free market)	£4197.5	+80.0
Tin (Kuala Lumpur market)	19.67r	+0.05
Tin (New York)	343.5c	+1.0
Zinc (Euro. Prod. Price)	$1475	+37.5
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	113.07p	+2.61*
Sheep (dead weight)†	172.95p	+16.9*
Pigs (live weight)†	78.89p	+5.48*
London daily sugar (raw)	$271.4w	-7.0
London daily sugar (white)	$276.0w	-5.5
Tate and Lyle export price	£263.0	-3.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£125.5	
Wheat (US Dark Northern)	£116.75w	-0.50
Rubber (spot)♥	55.00p	-0.50
Rubber (Dec)♥	62.00p	-0.50
Rubber (Jan) ♥	62.50p	-0.50
Rubber (KL RSS No 1 Dec)	281.5m	-0.5
Coconut oil (Philippines)§	$570w	-2.5
Palm Oil (Malaysian)§	$420	-2.5
Copra (Philippines)§	$370z	
Soyabeans (US)	$191	
Cotton "A" index	58.60c	+0.20
Wooltops (64s Super)	635p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Oct. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. q-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	852	840	863 840
Mar	845	854	865 844
May	845	848	858 840
Jul	842	852	859 840
Sep	854	860	865 855
Dec	889	890	906 890
Mar	903	917	925 905

Turnover: 7924 (8999) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 4: 1060.16 (1024.87):10 day average for Nov 7: 1014.52 (1009.99).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1082	1072	1082 1070
Jan	1102	1094	1102 1090
Mar	1115	1105	1108 1095
May	1113	1116	1110 1105
Jly	1118	1122	1115 1105
Sep	1124	1124	1100 1100
Nov	1125	1120	

Turnover: 765 (2336) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 4: Comp. daily 112.82 (113.03); . 15 day average 113.57 (113.58).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	241.00	242.00	239.00 239.00
Mar	230.40	232.00	232.00 229.80
May	224.60	226.40	226.20 224.20
Aug	220.40	221.00	221.00 219.40
Oct	217.00	218.00	217.00 217.00
White	**Close**	**Previous**	**High/Low**
Dec	276.00	279.00	
Mar	263.00	265.50	262.00
Oct	257.00	259.00	257.50 253.50
Dec	257.00	259.00	255.00
Mar	257.00	259.00	256.00

Turnover: Raw 2068 (4440) lots of 50 tonnes. White 784 (2051).
Paris- White (FFr per tonne): Dec 1670, Mar 1610, May 1580, Aug 1580, Oct 1575, Dec 1570

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	124.75	124.50	125.75 124.50
Dec	124.25	123.75	124.75 123.50
Jan	122.75	122.50	123.75 122.25
Feb	121.00	120.25	121.50 120.75
Mar	118.00	118.50	118.75 118.00
Apr	116.25	116.50	116.00 116.25
May	115.00	116.00	116.00 115.00

Turnover 5911 (9089) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	108.30	108.80	108.30
Jan	111.65	112.00	111.75 111.60
Mar	114.85	115.15	114.95 114.75
May	117.80	118.10	117.80 117.70
Barley	**Close**	**Previous**	**High/Low**
Nov	104.15	104.55	104.55 104.15
Jan	107.65	107.90	107.90 107.55
Mar	110.85	110.90	110.85 110.65
May	112.50	112.85	112.55 112.50

Turnover: Wheat 46 (230) . Barley 85 (83) .
Turnover lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
Nov	49.0	49.0	42.0 40.0
Apr	94.1	93.7	94.5 93.8
May	105.5	105.0	105.4 105.1
Nov	84.0		83.0

Turnover 160 (215) lots of 40 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,150 tonne
Cash	2485-95	2500-5		2475-80		
3 months	2340-5	2347-9	2350/2325	2335-8	2345-50	18,802 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 3,650 tonne
Cash	1400-5	1415-20	1400/1391	1392-4		
Dec. 21	1315-25	1320-5		1315-25		23,267 lots
Copper, Grade A (£ per tonne)						Ring turnover 45,550 tonne
Cash	1794-6	1870-2	1805	1805-7		
3 months	1612-3	1665-6	1620/1607	1617-9	1610-2	64,762 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1690-710	1780-800		1700-20		
Jan. 4	1635-55	1700-20		1640-60		33 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	642-4	623-5		637-9		
3 months	654-7	646-8		651-4		432 lots
Lead (£ per tonne)						Ring turnover 16,200 tonne
Cash	373-4	370-2	374/372	374-5		
3 months	373.5-4	371-2	374/369	373.5-4	373-3.5	10,557 lots
Nickel ($ per tonne)						Ring turnover 2,154 tonne
Cash	11400-500	12400-500	12000/11900	11900-2000		
3 months	10550-650	11000-200	11150/10300	10800-900	10800-600	5,874 lots
Zinc ($ per tonne)						Ring turnover 18,550 tonne
Cash	1475-80	1482-7	1480/1475	1480-5		
3 months	1385-90	1421-3	1395/1375	1394-6	1385-90	13,788 lots

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	177.00	180.00	178.00 177.00
Apr	175.00	178.00	177.00 175.00
Jun	164.00	167.50	164.00

Turnover 35 (88) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Nov	1457	1461	1461 1450
Dec	1479	1484	1485 1470
Jan	1494	1498	1499 1485
Apr	1533	1530	1535 1525
Jul	1339	1330	1339 1325
BFI	1410	1398	

Turnover 257 (137)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	420¾-421¼	237-237½
Opening	422-422½	238½-239
Morning fix	422.00	238.257
Afternoon fix	420.60	237.131
Day's high	422¼-422¾	
Day's low	420-420½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	433-437	244-247
Britannia	433-437	244-247
US Eagle	433-437	244-247
Angel	432-437	243½-244½
Krugerrand	420-423	236½-238½
New Sov.	99-100	55¾-56½
Old Sov.	99-100	55¾-56½
Noble Plat	599.95-605.60	338.65-342.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	362.05	642.50
3 months	372.75	656.15
6 months	383.40	669.65
12 months	404.50	697.85

TEA
There were 20,094 packages on offer at this weeks' auction, including 1,000 offshore, reports the Tea Brokers' Association. There was good general demand at firm to dearer rates. Assams met strong competition and prices were fully firm except for plain mediums which tended easier and the poorest descriptions which were again neglected. Brighter liquoring African teas sold at firm to dearer levels. Mediums were firm while plainer sorts proved irregularly easier. Ceylons were again well supported and often dearer. Offshore teas came to a good enquiry at fully firm rates. Quotations: quality 165p (159p), medium 108p (105p), low medium 73p (73p).

US MARKETS

IN THE METALS, gold, silver and platinum markets had quiet sessions as many await the upcoming elections, reports Drexel Burnham Lambert. Prices closed slightly higher as a weaker dollar added some strength to the metals. Copper trading was active as fund and commission house selling sank prices 500 points. In the softs, sugar trading was light with prices closing unchanged. The cocoa market noted a producer summit meeting postponed but little change was seen in the futures. Coffee rallied over 200 as trade and speculative buying pushed the market into full backwardation. The grain markets showed weakness for most of the day, as rain in Brazil and increased US crop estimates were noted . Volume was low with most commercial traders staying away. In the meat markets, lower cash prices kept most of the meats from advancing. Pork bellies lost 18 for the session. Cotton trading featured trade and local selling as prices fell over 40 in light volume. In the energy markets, crude oil prices were steady for most of the session, unleaded gasoline futures gained over 100 points as some technical buying near the close rallied the market.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	422.8	421.5	0	0
Dec	424.7	423.6	425.0	422.3
Jan	427.3	426.1	0	0
Feb	429.9	428.8	430.2	427.7
Apr	435.1	433.8	434.9	432.9
Jun	440.4	439.0	439.7	437.9
Aug	446.1	444.5	0	0
Oct	451.8	450.2	0	0
Dec	457.4	455.8	457.0	454.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	587.8	590.6	588.0	578.5
Apr	584.2	578.4	586.0	577.0
Jul	586.2	580.9	585.4	581.5
Oct	589.7	584.9	0	0
Jan	594.7	589.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	649.0	642.5	0	0
Dec	653.0	646.5	653.5	645.0
Jan	657.9	651.3	0	0
Mar	668.2	661.4	669.0	660.0
May	678.2	671.3	677.0	677.0
Jul	688.6	681.6	690.0	683.0
Sep	698.7	691.6	695.0	695.0
Dec	714.2	707.0	711.0	707.0
Jan	719.2	711.9	0	0
Mar	730.8	723.4	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	145.65	149.00	148.00	144.00
Dec	138.90	142.00	139.50	138.50
Jan	131.60	133.40	132.00	132.00
Mar	118.90	118.20	117.00	115.50
May	109.70	111.20	110.00	108.40
Jul	107.20	109.00	107.50	106.00
Sep	104.20	106.25	103.60	103.00
Dec	101.20	103.50	101.80	100.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	14.07	14.04	14.20	13.92
Jan	13.91	13.80	13.98	13.75
Feb	13.90	13.77	13.92	13.75
Mar	13.91	13.78	13.93	13.79
May	13.97	13.86	14.00	13.89
Jun	14.00	13.90	14.03	13.93
Jul	13.98	13.94	14.00	13.98
Aug	14.05	13.98	14.05	14.05
Sep	14.10	14.02	14.15	14.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4405	4408	4438	4385
Jan	4365	4369	4410	4365
Feb	4305	4281	4320	4270
Apr	3915	3881	3935	3905
May	3800	3781	3830	3800
Aug	3820	3780	3820	3820

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1395	1403	1423	1380
Mar	1408	1409	1429	1390
May	1400	1404	1429	1390
Jul	1404	1411	1434	1395
Sep	1419	1425	1437	1420
Dec	1440	1443	1465	1439
Mar	1462	1480	1500	1490

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	127.26	125.01	127.25	125.01
Mar	126.58	125.64	126.80	125.64
May	126.01	125.26	126.50	126.00
Jul	125.48	124.80	0	0
Sep	125.60	124.00	0	0
Dec	124.26	123.50	124.01	124.01
Mar	124.00	123.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	9.90	9.90	9.89	9.89
Mar	10.19	10.19	10.25	10.10
May	9.96	9.95	9.96	9.84
Jul	9.79	9.78	9.80	9.69
Oct	9.65	9.60	9.66	9.55
Jan	8.65	8.63	0	0
Mar	9.42	9.34	9.35	9.35

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	55.78	56.19	56.20	55.25
Mar	56.10	56.62	56.46	55.65
May	56.33	56.83	56.70	56.10
Jul	56.47	56.96	57.00	56.20
Oct	55.90	56.20	0	0
Dec	56.12	56.40	56.60	56.05
Mar	56.45	56.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	185.35	186.60	186.50	184.80
Jan	174.70	175.55	175.25	174.10
Mar	172.30	173.00	172.90	171.80
May	171.80	172.55	172.00	171.40
Jul	171.00	171.25	171.00	171.00
Sep	165.45	166.50	165.50	165.50
Nov	163.95	164.45	0	0
Jan	161.95	162.45	0	0
Mar	161.95	162.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 4	Nov 3	mnth ago	yr ago
1883.5	1884.8	1897.7	1645.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	137.09	131.80	128.69
Futures	139.62	135.91	127.75

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	788/4	792/0	789/0	779/0
Jan	801/2	804/0	802/0	790/0
Mar	810/4	813/4	811/0	799/4
May	809/6	812/0	810/0	800/0
Jul	807/4	810/0	808/0	797/0
Aug	797/4	798/0	798/0	791/0
Sep	760/4	759/0	761/0	755/0
Nov	734/0	732/6	735/0	726/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	22.63	22.61	22.76	22.40
Jan	22.98	22.91	23.03	22.69
Mar	23.42	23.46	23.55	23.25
May	23.90	24.00	24.02	23.76
Jul	24.25	24.42	24.40	24.20
Aug	24.26	24.55	24.55	24.26
Sep	24.40	24.70	24.70	24.40
Oct	24.52	24.80	24.70	24.50
Dec	24.50	24.85	24.85	24.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	265.3	262.0	265.7	256.5
Jan	265.2	262.2	266.0	256.0
Mar	263.5	259.7	264.0	254.5
May	261.0	253.7	262.0	250.0
Jul	258.1	248.2	258.2	245.0
Aug	250.0	241.0	250.0	239.0
Sep	245.7	235.7	245.7	232.5
Oct	231.7	221.7	231.7	222.0
Dec	224.5	218.5	224.0	225.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	278/6	278/0	278/6	274/0
Mar	284/0	283/2	284/4	280/0
May	287/6	286/0	287/6	282/4
Jul	288/0	285/6	288/4	283/0
Sep	270/0	270/0	270/0	267/4
Dec	260/0	260/0	260/0	256/6
Mar	265/6	265/6	265/6	262/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	419/0	415/6	419/0	413/4
Mar	425/6	424/2	426/0	421/4
May	404/4	404/0	406/0	403/4
Jul	377/6	379/0	380/0	377/0
Sep	382/0	382/6	383/4	382/0
Dec	391/2	393/0	391/2	391/2

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.60	73.75	73.95	73.40
Feb	73.37	73.37	73.60	73.12
Apr	75.05	74.77	75.35	74.87
Jun	73.55	73.37	73.67	73.25
Aug	71.02	70.95	71.20	70.80
Sep	70.75	70.50	70.75	0
Oct	70.20	70.10	70.40	70.15

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.12	41.75	42.40	41.47
Feb	45.77	45.50	46.27	45.30
Apr	44.00	43.65	44.40	43.65
Jun	48.70	48.52	48.95	48.35
Jul	49.15	49.00	49.15	48.90
Aug	47.70	48.00	48.40	47.70
Oct	44.85	44.60	45.05	44.80
Dec	46.95	47.00	0	46.95

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	46.12	46.30	47.15	46.02
Mar	46.70	46.92	47.75	46.65
May	48.47	48.60	49.35	48.30
Jul	49.55	49.55	50.52	49.50
Aug	48.40	48.27	49.45	48.40

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

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NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights.

CANADA

Sales	Stock	High	Low	Close	Chng

TORONTO

2pm prices November 7

Quotations in cents unless marked $.

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f – No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Nov 4	Nov 3	Nov 2	Nov 1	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2145.80	2170.34	2156.83	2150.96	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.40	90.62	90.61	90.58	91.25 (3/3)	86.12 (4/1)	–	–
Transport	929.73	936.67	932.75	931.09	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.11	188.30	187.71	187.59	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2173.90 (2185.99) Low 2139.58 (2153.45)

STANDARD AND POOR'S	Nov 4	Nov 3	Nov 2	Nov 1	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	276.31	279.20	279.06	279.06	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	318.09	321.51	321.35	321.24	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.43	25.70	25.73	25.82	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	155.70	157.08	157.00	156.98	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	297.52	299.80	299.83	299.56	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	381.02	382.77	381.78	382.35	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Oct 21	Oct 14	Oct 7	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.63	3.60	3.54
	Nov 2	Oct 26	Oct 19	year ago (approx.)
S & P Industrial div. yield	3.09	3.07	3.12	3.31
S & P Indl. P/E ratio	13.52	13.65	13.42	16.39

TRADING ACTIVITY † Volume Millions

	Nov 4	Nov 3	Nov 2
New York	143.580	152.980	161.300
Amex	8.755	15.414	8.576
OTC	105.622	117.136	121.541

NEW YORK	Nov 4	Nov 3	Nov 2
Issues Traded	1,975	1,956	1,964
Rises	450	763	653
Falls	1,003	662	761
Unchanged	522	531	550
New Highs	23	56	47
New Lows	33	33	32

CANADA

TORONTO	Nov 4	Nov 3	Nov 2	Nov 1	1988 High	1988 Low
Metals & Minerals	2895.3	2948.8	2923.4	2916.0	3226.5 (5/7)	2258.7 (8/2)
Composite	3336.8	3373.1	3378.6	3396.6	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1636.90	1662.94	1667.28	1680.30	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Am Medical Intl	5,059,400	17⅛	– ⅛	Southern	1,826,400	22	– ⅛
Sears Roebuck	3,198,300	44⅝	– 1⅛	Kraft	1,823,100	103¼	----
RJR Nabisco (xd)	3,148,900	85⅝	– 1⅛	IBM (xd)	1,716,500	120¼	– 2
Manville	2,559,500	1½	– ⅛	AT&T	1,697,300	28⅝	– ⅛
DPL Inc	2,149,000	27	....	Ford Motor	1,622,100	49⅝	– ⅜

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 7	Nov. 4	Nov. 3	Nov. 2	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1557.4	1570.4	1571.8	1580.0	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	743.0	749.9	749.0	746.4	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	225.40	225.48	225.40	222.60	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5364.10	5369.50	5351.40	5352.16	5369.50 (4/11)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	243.54	244.71	244.66	246.96	247.87 (1/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	736.0	736.1	734.3	731.0	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	397.1	397.0	396.5	397.1 (4/11)	251.3 (29/1)
Ind. Tendance(31/12/87)	151.8	153.4	152.9	153.0	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	525.76	532.56	526.97	535.80	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1590.30	1610.50	1593.40	1621.80	1641.60(27/10)	1207.9 (29/1)
DAX (30/12/87)	1271.13	1285.02	1280.58	1288.55	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2567.02	2584.51	2584.49	2607.82	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	588.52	588.21	589.35	587.26	592.69 (20/10)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27866.36	27953.25	(c)	27985.26	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2129.44	2144.08	(c)	2150.29	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	279.2	283.2	281.9	283.3	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	243.6	247.1	246.5	249.3	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	415.23	416.02	409.03	408.23	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1023.27	1028.48	1030.17	1030.12	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1387.0♦	1399.0	1406.0	1369.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1853.0♦	1859.0	1868.0	1869.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	293.54	293.22	291.99	291.43	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3245.40	3267.33	3243.80	3253.10	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	577.3	579.6	578.5	581.7	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	471.2	475.8	474.9	475.8 (3/11)	401.0 (21/1)

**Saturday Nov. 5: Japan Nikkei 28,046.75 and TSE 2,145.05

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 7 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kobe Steel	92.7m	755	-2	Mitsui Real Estate	27.8m	3,090	+40
Sumitomo Metal	73.0m	777	-3	Nisshin Steel	22.1m	1,220	-30
Nippon Steel	64.7m	890	-15	IHI	20.0m	1,280	-40
Kawasaki Steel	37.0m	1,070	-20	Nippon Oil	17.0m	1,450	-10
NKK	29.2m	872	-18	Cosmo Oil	16.3m	1,080	-10

3pm prices November 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
27¾	14	AAR	.44	1.8	17	357	24⅝	24⅛	24⅛	- ⅛
10⅛	9	ACM n				49	9⅜	9⅜	9⅜	- ⅛
12¼	10¼	ACMIn	1.26a	11.		610	11½	11¼	11¼	- ⅛
10¼	10	ACM M n				186	10⅛	10	10	
12¼	10⅜	ACMSc	n1.26	12.		375	11⅛	10⅞	10⅞	
10⅛	8⅞	ACMSp	n1.01	11.		212	9⅛	9	9	
5⅜	2⅜	AMCA	.12e	3.6		43	3⅜	3⅜	3⅜	- ⅛
6⅛	3⅜	AM Intl				1553	4⅞	4⅛	4⅞	
23⅛	18⅛	AM Int pf	2	9.3		20	21½	21½	21½	
51¼	28¾	AMR			8	1681	48¼	47⅞	47⅞	- ⅜
9½	5⅜	ARX			10	95	6⅛	5⅞	6	
58⅜	35¼	ASA	3a	7.4		438	40⅞	40½	40⅝	+ ⅛
20¼	11	AVX	.12e	.7	12	156	17½	17¼	17½	- ⅛
52⅜	42⅛	AbtLab	1.20	2.6	15	2138	46⅜	46⅛	46½	- ⅛
21¼	15⅞	Abitibi g	1			155	16⅞	16⅞	16½	- ⅛
13⅞	8½	AcmeC	.40	4.8		52	8½	d 8⅛	8⅜	- ⅛
8⅞	6½	AcmeE	.32b	5.2	27	z67	6⅝	d 6⅛	6⅛	- ⅛
29½	12¼	Acuson			21	167	22⅞	22½	22⅜	- ⅛
17⅞	14⅝	AdaEx	3.05e	18.		104	16¾	16½	16⅝	
18⅞	7½	AMD			16	1553	8¾	8½	8½	- ⅛
43½	29¼	AMD pf	3	9.2		67	32¾	32¼	32½	- ½
8½	4⅝	Adobe				25	7	7	7	- ⅛
18½	16¼	Adob pf	1.84	11.		10	17	17	17	- ¼
21¾	18¼	Adob pf	2.40	12.		1	20⅜	20⅜	20⅜	- ⅛
9¼	5⅞	Advest	.12	1.8	21	45	6⅞	6⅝	6⅝	- ⅛
52½	39½	AetnLf	2.76	5.7	8	2385	48⅞	48¼	48½	- ⅜
34¼	20½	AflIPb s	.20	.7		z415	28½	28¼	28¼	- ½
18⅞	13	Ahmans	.88	5.4	10	6877	16⅜	16	16⅜	+ ⅛
53⅜	30⅜	AirPrd	1.20	2.9	11	2365	41⅜	41	41	- ½
19¾	11⅛	AirbFrt	.60	3.2	18	36	18⅝	18⅜	18½	- ⅛
18¼	6¾	Airgas			17	370	15⅛	15	15	
20	14½	Airlease	2.40	13.	8	12	18⅝	18½	18½	- ⅛
28⅝	22½	AlaP	pf2.10e	8.8		3	23¾	23¾	23¾	- ⅛
9¾	8⅛	AlaP	dpf.87	9.2		21	9½	9½	9½	
100	92⅛	AlaP pf	9.44	9.8		z220	96	96	96	-1
89½	80	AlaP pf	8.16	9.5		z150	85½	85½	85½	
87	78⅞	AlaP pf	8.28	9.9		z60	83½	83½	83½	- ½
22½	12⅝	AlskAir	.16	.8	10	373	20⅞	20¼	20⅜	- ⅛
19¾	9¼	Albnyln	.25	1.6	11	161	16⅛	16	16	- ½
38¼	18⅝	Alberto	.30	.8	19	21	37¼	36⅞	36⅞	
28¼	12⅝	AlbCulA	.30	1.1	14	18	27¼	27¼	27¼	- ¼
38¾	23½	Albtsn	.56	1.5	17	434	36½	35⅜	36⅛	+ ⅜
33⅜	21¼	Alcan s	1.20	4.1	6	3512	29⅝	29¼	29⅜	- ⅜
27⅞	16⅝	AlcoStd	.68	2.8	10	612	24⅞	24	24	- ⅞
28¼	15⅞	AlexAlx	1	4.1	17	736	25	24⅜	24⅜	- ⅛
77	36¼	Alexdr				64	68¼	66¼	66¼	-2¼
6⅞	2⅛	vjAlgInt				148	2½	2⅜	2⅜	
10⅜	2⅜	vjAlgI pr				8	2⅝	2⅝	2⅝	- ⅛
50¼	11¼	vjAlgI pfC				72	10⅞	d10⅛	10⅜	- ⅜
33¼	15½	AlgLud	.48	1.5	7	25	31½	31¼	31¼	- ⅛
41½	35¼	AllgPw	3	7.9	10	228	38⅛	37⅞	38	
14⅛	5½	AllenG				49	13⅞	13⅜	13⅜	- ⅛
16¼	9¼	Allen pf	1.75	11.		74	15⅞	15⅝	15⅞	
11⅜	9⅝	AlnCap	n.57e	5.5		142	10⅜	10⅛	10⅜	+ ⅛
21	12⅞	AlldPd				10	14⅜	14⅜	14⅜	- ⅛
36⅞	26	AldSgnl	1.80	5.4	12	1411	33⅞	33½	33⅝	- ½
1½	7-16	vjAllisC				165	9-16	½	9-16	
6½	2½	AllsC pf				22	3	3	3	
10⅛	9	AlstMu	.78	7.5		92	10⅜	10⅛	10⅜	
10¼	9¼	AtsMII	n.25e	2.5		70	9⅞	9⅞	9⅞	+ ⅛
10⅜	10	AlsMO	n.04e	.4		268	10⅛	10⅛	10⅛	
37¾	25⅜	ALLTEL	1.72	4.6	10	407	37⅛	36¾	37	- ¼
57⅜	38⅞	Alcoa	1.40	2.6	8	1299	54⅜	54⅛	54⅜	+ ⅛
19½	11¼	AmaxG	.08	.5	20	z55	16	15⅝	16	+ ⅛
24⅝	15¼	Amax	.40	1.7	12	978	23⅞	22⅞	22⅞	- ⅛
43¼	37¾	Amax pf	3	7.3		1	41	41	41	+1½
15¼	7½	Amcast	.48	3.9	9	49	12¼	12⅛	12¼	
33¼	21½	AmHes	.60	2.1		1642	29¼	28⅞	29	+ ⅛
24¾	13⅞	ABarck	.10e	.6		83	17⅞	17⅝	17⅝	- ⅛
60⅜	36½	AmBrnd	2.44	4.5	9	792	54¾	53⅞	54½	- ½
30⅞	27⅛	ABrd pf	2.75	10.		2	27⅝	27⅝	27⅝	
28½	15	ABldM	.92	3.5	16	40	26⅜	26⅛	26⅜	

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10¼	4⅞	Ramad				905	9⅞	9⅛	9⅛	-⅛
6½	3½	RangrO			42	513	5⅛	5	5	-¼
54¼	33	Raycm	.32	.9	11	836	36⅞	36⅛	36⅜	-⅛
12½	8⅝	RJamFn	.16b	1.6	10	24	10⅛	10	10⅛	
21⅝	14⅝	Rayonr	2.60	13.	6	25	20⅛	20	20⅛	
6½	3¼	Raytch	.05e	1.4	52	13	3⅝	3⅝	3⅝	-⅛
73⅞	57¼	Raythn	2	2.8	10	1214	70⅝	69⅝	70⅛	-⅝
2½	½	ReadBt				299	11-16	½	⅝	+⅛
6⅞	1⅝	RdBat pf				15	1⅞	1⅝	1⅞	+⅛
4⅛	1⅝	RdBt pfA				9	1⅝	d1½	1½	-¼
19	15½	REIT	1.24	8.2	15	19	15⅛	15⅛	15⅛	
11⅞	5½	RecnEq			22	292	7⅞	7⅝	7⅝	-¼
10⅛	5¼	Redmn	.36	3.7		14	9⅝	9⅝	9⅝	
15⅝	8½	Reebok	.30	2.3	9	3965	13⅛	12⅝	12⅞	-⅜
1⅞	3-16	Regal				194	7-32	d5-32	3-16	
6⅝	4⅛	RegFn	.25e	3.9		229	6½	6⅝	6⅝	
16⅞	11¾	ReichTc	1.76	12.	9	19	14⅞	14⅛	14⅛	-⅛
7½	4½	RelGrp	.32	6.6	7	60	5	4⅞	4⅞	
6⅞	4⅛	RepGyp	.20	4.2	24	64	4⅞	4⅝	4⅝	-⅛
46⅛	38¼	RepNY	1.20	2.7	11	278	44⅛	43¾	43¾	-⅜
23¼	16⅝	Rexene	n.15e	.9		882	16½	d16	16⅛	-⅝
58	34	ReyMt	1	1.9	7	1211	53⅞	53	53⅛	-1
40⅞	29¼	RiteAid	.74	2.1	15	251	36	35⅝	35¾	-⅛
1	½	RvrOak				12	½	½	½	
16½	9⅝	Robtsn				128	9⅞	9⅝	9⅝	
27	12¼	vjRobins			12	542	23¾	23⅜	23⅜	-⅜
18¼	14⅞	RochG	1.50	8.5	11	161	17⅝	17½	17⅝	-⅛
49¼	30	RochTl	2.72	5.6	13	104	48¾	48⅛	48⅜	-½
11½	5⅝	Rckwy	.36	3.6	12	103	10⅛	9⅞	10	
20⅝	15⅝	RokCtr	1.84	9.5	14	226	19½	19¼	19⅛	-⅛
23½	15⅞	Rockwl	.72	3.4	7	x1046	21	20⅝	20⅞	-⅛
9⅝	4⅞	RodRen	.14	1.8		5	7⅞	7⅞	7⅞	
37½	26	RoHaas	1.12	3.4	10	314	33½	33¼	33⅜	
33½	15⅛	Rohr			15	440	28⅝	28	28	-⅝
19⅝	10	RollnE s	.06	.7	20	1080	11⅛	10⅞	10⅞	-¼
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29¾	19⅝	XTRA	pf1.94	7.0		287	28⅛	27⅞	27⅞	-⅛
59⅛	19⅛	Yorkla			14	31	51⅛	51⅛	51⅛	-⅛
3⅞	2⅛	Zapata				168	2⅝	2½	2½	
27⅛	13½	Zayre	.40	1.5	17	7 4845	27⅛	26¼	26½	-⅛
15½	8⅛	Zemex	.40	2.8	18	1	14½	14½	14½	-⅛
39	13	ZenithE				233	19⅝	19⅝	19⅝	-⅛
10⅛	9½	Zenin n	.49e	4.9		115	10	9⅞	10	
4⅝	1	vjZenLb				263	2⅛	2	2	
21⅝	13⅛	ZenNtl	.80b	4.7	8	65	17¼	17	17	-⅛
17¼	11⅛	Zero	.44	2.6	14	x50	16⅞	16⅛	16⅞	+⅛
29	15½	Zurnin	.68	2.6	15	254	26⅛	25⅞	25⅞	-¼
11⅛	8	Zweig	1.04	10.		349	10⅛	10¼	10⅛	-⅛
10⅛	9⅞	ZweigT	n.08e	.8		427	10	9⅞	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 7

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 7

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WilsnF		21 51	13⅞	13⅞	13⅞	-⅛
Windm s		12 1114	17⅛	16⅞	16¾	-⅝
Wolohn	.28	9 92	16⅛	15⅞	16⅛	
WolvEx		390	7⅞	7⅛	7⅛	-½
Worthg	.44	14 318	21⅛	21	21⅛	+⅛
Wyman	.80	15 148	15½	15¼	15½	
–X–Y–Z–						
XL Dta		15 13	25¼	25	25	-½
XOMA		323	12	11½	11¼	
X-Rite s		13 121	8½	8	8⅜	
Xicor		12 625	7⅞	7¼	7¼	-⅛
Xyvsn		55	5	4⅞	4¾	-⅜
YelowF	.70	20 1412	32⅞	32	32	-1
ZionUt	1.44	1	24⅛	24⅛	24⅛	+⅛

AMERICA

Pre-election jitters keep Dow and bonds subdued

Wall Street

JITTERS before today's presidential elections and residual concern about the apparent evidence of continuing economic strength in last Friday's unemployment figures combined to push equities lower on Wall Street yesterday, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 24.89 points lower at 2,130.91. Volume was, however, very light with only 71m shares changing hands by midsession.

The weakness in equities was reflected in falls in both US Treasury bonds and the dollar. By midsession, bonds were quoted as much as ⅝ point lower and the US currency was quoted at its session lows of Y124.65 and DM1.7830.

Activity in all markets was very light as traders stayed out, waiting until the election results start to come through tonight. The focus is already shifting beyond the election itself. Vice President George Bush, as a Republican the natural preference for financial markets, is expected to win although the Democrats are expected to retain control of both Houses.

There is a widespread view that, even if Mr Bush wins, markets will fall. Many analysts believe the foreign exchange markets will seriously test the dollar for the first time during this election year, reflecting concerns about the trade balance, the rocky state of the US financial system, particularly savings and loans, and longer-run concern about the budget deficit.

The bond market took a serious knock on Friday when the employment figures turned out much stronger than expected. Whereas some analysts had started talking about the Fed easing monetary policy in response to a slow-down in the economy, those same analysts are now predicting another tightening in policy.

What action there was on the equity market yesterday tended to revolve around takeover stocks. RJR Nabisco remained in the spotlight after a group led by Forstmann Little, a leveraged buy-out firm, and including three large food companies, said they may consider launching a bid for the company which would top the existing bids by Kohlberg Kravis Roberts and its own management.

RJR Nabisco added $1¼ to $86¾ at midsession. The three food companies involved in the group were all lower. Procter & Gamble fell $2⅝ to $82¼, Ralston Purina slipped $1¼ to $80¼ and Castle & Cooke dropped $⅝ to $26¾.

Among other featured stocks Pillsbury dropped $1⅛ to $59¼ after the company said it planned to spin off its Burger King and Distron subsidiaries. The move was in response to the $60 a share takeover offer from Grand Metropolitan.

MCorp added $⅛ to $¾ after the Texas bank holding company reached a compromise with federal regulators which appears to have staved off bankruptcy.

Canada

THE publication of an opinion poll giving the opposition Liberals a 12-point lead before the November 21 election sent Canadian equities markets plunging in morning trading yesterday, *writes David Owen in Toronto.*

By 1pm the TSE-300 composite index was down 76.27, or 2.3 per cent, at 3,259.5 on heavy volume. Montreal was down sharply too, off 37.2 at 1,599.7.

The markets' concern is that the poll suggests that the still unratified US-Canada free trade agreement is in jeopardy. The deal negotiated by the governing Progressive Conservative party would eliminate most remaining tariffs between the two countries over 10 years. It is strongly supported by businessmen but is bitterly opposed by both the Liberals and New Democratic Party.

Yesterday's poll, which puts Liberal support at its highest level since before the 1984 election, suggests that the Conservatives are increasingly unlikely to retain power and, therefore, that the free trade deal will not go into effect on January 1.

All sub-indices in Toronto lost ground, with industrial products issues registering a decline of 3.7 per cent. Export-oriented forest products and mining issues also fell – despite a sharp decline in the value of the Canadian dollar.

Canadian dollar slides, Page 43

EUROPE

Investors stick to sidelines before poll news

THE wait for today's US presidential election took its toll – as expected – on European markets, most of which had a quiet day in low volumes, *writes Our Markets Staff.*

FRANKFURT traded quietly as dealers and investors showed a marked reluctance to take up new positions before the result of today's US presidential election is known. At midsession the FAZ stood 6.80 lower at 525.76, and at the close the DAX index was 13.89 easier at 1,271.13.

Daimler was the day's main feature, closing down DM13.50 at DM744.50 as the market waited for cabinet approval of a plan allowing the car manufacturer to take a 30 per cent stake in aerospace group MBB, one of the partners in the European consortium which makes the Airbus.

It was after the market closed when news came through that the Free Democratic Party, junior partners in the coalition government, had confirmed its support for the Daimler holding in MBB, thus increasing the chances of the West German cabinet approving the plan.

Among the banks Dresdner led the way with a 60 pfg rise to DM296.80 on foreign demand and continued speculation that insurer Allianz has been buying the stock. It has been known for sometime that Dresdner wants to link up with another financial institution in a "1992-type alliance," said one dealer, and an agreed cross-shareholding arrangement with Allianz was a real possibility.

Profit-taking saw Siemens drop DM8.50 to DM473.70 despite news that a West German consortium led by Siemens and AEG has won a sizeable contract to supply equipment for a new underground transport system in Shanghai. Retailer Karstadt fell DM17 to DM431 after revealing a 3.1 per cent increase in turnover for the first six months of the year.

PARIS was constrained by pre-election lethargy and closed lower in reduced volumes, although there were still some sparks of speculation. The OMF 50 index fell 3.59 at 410.42.

CCF was active again, with about 300,000 shares traded in France, climbing FFr3.50 to FFr164.50. Rumours about the reshuffling of hard core shareholdings of privatised companies, seen most recently in Société Générale and CGE, had switched to CCF, said one analyst in Paris.

News that glass maker Saint Gobain, off FFr5 at FFr557, had taken a 3 per cent stake in Essilor dampened recent takeover speculation on the latter, which closed FFr197, or 5.8 per cent, lower at FFr3,213.

MILAN ended barely changed from Friday's close with dealers waiting for US voters to name their next president before committing themselves to new positions. Yesterday was also the first day of the crucial debate in the Italian parliament on the 1989 budget. By the close the Comit index was just 0.31 higher at 588.52.

The bank sector was particularly active, with most stocks reporting gains after Friday's announcement of the date for Mediobanca's expected L500bn share placement. BCI advanced L62 to L2,974 and Credito Italiano added L15 to end at L1,603, although Mediobanca shares fell L210 to L19,850.

BRUSSELS closed slightly firmer on low volume with only a few stocks avoiding the pre-election malaise. The cash index closed at 5,384.1, down 5.4.

Vieille Montagne, the world's largest zinc smelter, closed BFr300 firmer at BFr12,000 amid speculation of an accord between parent company Union Minière and Luxembourg-based Flin, which has a blocking minority of at least 25 per cent in Montagne.

AMSTERDAM drifted lower on anxiety over the US election result and its effect on the dollar. Turnover was low, and by the close the CBS index was down 1.2 at 99.8. Unilever Fl 2.30 ended lower at Fl 118.50 after acquiring US bakery group Pennant Products.

ZURICH had a quiet session on its first day's trading with extended hours, opening one hour earlier at 9.30 am. The wait for today's US election and possible effects on currencies kept investors away and the Crédit Suisse index fell 2.6 to 497.0.

MADRID gained ground amid caution over the upcoming US election, with the general index adding 0.32 to 293.54. Banks and engineering stocks were firmer but construction issues fell back.

STOCKHOLM turned down across the board in listless trading, with the Affärsvärlden index falling 4.9 to 961.0 after last week's strength.

ASIA PACIFIC

Emperor's deteriorating health hits Nikkei

Tokyo

FURTHER revelations in an ongoing share sale scandal and weekend reports that the ailing Emperor of Japan had taken a turn for the worse, triggered a bout of selling that sent share prices tumbling on significantly lower volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average lost 180.39 to 27,866.36 after moving between a high of 28,043.93 and a low of 27,865.77. Volume fell to 866.8m shares from 1.6bn on Friday, reflecting the reduced trading activity that is typically seen in a Monday market. Issues that declined outnumbered those advancing by 581 to 257 and 169 issues were unchanged.

The TOPIX index of all listed stocks dropped 15.61 to 2,129.44 and later in London, the ISE/Nikkei 50 index closed 0.93 up at 1,732.9.

The Recruit Cosmos share sale scandal has had a dampening impact on the Tokyo market since the summer, as the growing number of those involved has led to claims of unfairness in the market's system and to the possibility of a wide-ranging capital gains tax. Several prominent politicians and businessmen were able to make enormous profits by buying shares of the property company at a considerable discount before its registration on the over-the-counter market.

Over the weekend a Socialist member of the Diet (Parliament) resigned to take moral responsibility for the supposed involvement of a former secretary in the scandal. A secretary to the chairman of Nippon Telegraph and Telephone, Japan's largest telecommunications company, also admitted that he received pre-registration Recruit Cosmos shares at a large discount and made a huge profit by selling them just after the company went public.

The Emperor, who has been seriously ill for over six weeks now, was reported to be in worse condition. Investors have been nervous about being caught with positions should the Emperor die, as the market could be closed for several days.

There are several other external factors adding to the uncertainty inhibiting investors from active participation, among them today's US presidential election and Japan's merchandise trade statistics for October, due on Thursday. The weakness of the bond market, which has been under heavy profit-taking pressure, is also having a negative effect on equities.

News that the secretary to the chairman of NTT admitted buying Recruit Cosmos shares sent NTT plunging to a new low for the year of Y1.73m, off Y70,000. NTT has performed poorly since the completion of the sale of a third tranche of the company's shares on October 21.

Steel issues, again the most heavily traded, were weaker yesterday. Kobe Steel, the volume leader at 92.7m shares, dropped Y2 to Y755. Sumitomo Metal, second in volume at 73m shares, fell Y3 to Y777 and Nippon Steel, third in volume, lost Y15 to Y890. Kawasaki Steel declined Y20 to Y1,070 in heavy volume.

Paper companies strengthened; a new Emperor, and hence a new era, would require the re-issue of documents and other forms. Jujo Paper and Honshu Paper both added Y30 to Y1,190 and Y1,150 respectively. Sanyo-Kokusaku Pulp rose Y40 to Y1,050 and Oji Paper advanced Y20 to Y1,650.

Property companies firmed on interest in their redevelopment projects and on their low per share net asset ratio, said analysts. Mitsui Real Estate, which has redevelopment projects along Tokyo Bay, rose Y70 to a new high for the year of Y3,120, and closed up Y40 at Y3,090 on heavy volume. Mitsubishi Estate added Y30 to Y2,740.

Investors remained cautious in Osaka, sending the OSE average down 143.73 to 25,495.41. Volume was lower at 108.8m shares compared with 185.7m on Friday. Sumitomo Metal, most heavily traded at 13.9m shares, lost Y4 to Y776.

Roundup

A FEAR of leaving positions exposed before today's US presidential election dominated trading in the Asia Pacific markets yesterday, with shares ending weaker on low turnover.

AUSTRALIA traded quietly with dealers and investors unwilling to trade heavily before the US presidential election. The day's only set of economic data – retail sales for August were down 0.7 per cent – had little effect on the market, and most shares ended slightly weaker for lack of buying support. By the close the All Ordinaries index was off 13 at 1,557.4 on low turnover.

Banks went against the general market trend, with National Australia gaining 4 cents to A$6.54 after revealing that it will announce a special scrip dividend along with its annual results this Thursday. Both Westpac and ANZ advanced in sympathy, but later eased off on thin demand to close unchanged at A$5.70 and A$5.46 respectively.

Investment holding company AFP Group was again heavily traded, rising 5 cents to A$1.20 as nearly 7m shares changed hands. The activity could be evidence that someone is building a stake in the company, said one London-based analyst. Among leading stocks, BHP led industrials lower, falling 14 cents to A$7.50 ex-dividend, while Adsteam slipped 16 cents to A$6.04 ex-bonus.

HONG KONG was also lower on thin turnover before the US presidential vote. Sentiment was not helped by Hongkong Telecom's announcement of a HK$4bn international share placement, the largest ever by a Hong Kong company. The Hang Seng index ended 17.49 weaker at 2,567.02.

Much of the day's activity centred on blue chips, with Swire Pacific "A" falling 10 cents to HK$17.90 and China Light adding 40 cents to HK$16.90. News of its share placement sent Hongkong Telecom 10 cents lower to HK$5.20.

SINGAPORE was equally hampered by a reluctance to trade before the election, with today's local holiday only adding to the languorous mood.

SOUTH AFRICA

GOLD shares closed mixed to lower as the bullion price held steady at around $420 an ounce.

Vaal Reefs eased R2 to R283 and Southvaal fell 25 cents to R110.60. Buffels gained 50 cents to R53.25 while Harmony lost 35 cents to R25.40. Lightweights Leslie and Bracken each lost 5 cents to R2.95.

In diamonds, De Beers shed 75 cents to R45.15. Other mining issues were quietly steady, with mining industrials mixed and industrials firmer.

New indices offer South Africa-free investment

Alison Maitland on a novel option for the international equity investor

SOUTH AFRICA-FREE IMPACT ON FT-A INDEX

Country	% excluded by no. of stocks	% excluded by mkt cap	Weight in SA Free World
US	12	20	32
UK	28	48	6
Japan	–	–	50
Europe	20	44	13
World	14	16	100

Source: County NatWest WoodMac and Goldman Sachs

Global equity investors who are anxious to avoid companies directly connected with South Africa will be served by a novel set of market indices to be launched at the start of next year.

The "South Africa-free" indices, which exclude companies that invest directly in the republic, cover industries, countries and geographical regions and are based on the FT-Actuaries World Indices. They are being jointly compiled by County NatWest WoodMac, the UK securities firm, and Goldman Sachs, the US investment bank.

The information on companies' South African links is being supplied by the Investor Responsibility Research Center in Washington, an independent body funded by annual subscriptions from more than 350 mainly US institutional investors.

The purpose is to offer a solution to global portfolio managers who have come under growing pressure in recent years to ensure their funds avoid investing in companies with South African links. "We've had a very high level of response to our plans," says Mr Symon Bradford, quantitative analyst with County NatWest WoodMac in Edinburgh. "We've had a lot of interest from the US and we know there's interest here in the UK too."

More than half the 98 local authority pension funds in the UK – which has large investments in South Africa – have policies restricting links with the republic, according to the Pensions and Investment Resource Centre in London.

The issue is also of increasing importance in the US, where pension funds are forecast to triple their assets invested abroad from $50bn at the end of last year to $150bn by 1992, according to consultants InterSec Research.

Although there is no national US legislation, 22 of the 50 states and 55 cities have adopted some sort of restriction on public employee pension fund investments in South African-linked companies, says Mr David Hauck, senior analyst at the IRRC. Endowment funds at 150 colleges and universities also operate restrictions.

"The estimates of the value of funds under some kind of South African restriction are $30bn to $40bn, or 1 to 2 per cent of the value of the US equity market," he says.

By excluding companies with direct investments in South Africa, the planned indices show a dramatic shift in certain markets' share of world capitalisation.

Most striking is the increase in Japan's weighting to 50 per cent of the global market (as at the end of August), and to 76 per cent of the Euro-Pacific index. This is because Japanese companies are banned by law from direct capital investment in South Africa, although many do have trading connections with the republic.

Although Japanese companies do not invest directly in South Africa, about 60 of the 456 companies in the Japanese FT-A index have links involving licensing, distribution, trademarks, technology use or franchising, according to the IRRC. However, direct investment appears to be the accepted criterion for the new index among fund managers, Mr Bradford says.

While Japan grows, the weighting of the UK market in the South Africa-free world index falls to 6 per cent from 9 per cent, with 28 per cent of British companies, or 48 per cent of the market's capitalisation, being excluded.

Europe as a whole plunges from 20 per cent of the world index to 13 per cent – over two-thirds of the West German, Swiss and Dutch markets are omitted. The weighting of Europe within the Euro-Pacific region falls from 31 per cent to 20 per cent. Of the total world index capitalisation, 17 per cent disappears.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 4 1988					THURSDAY NOVEMBER 3 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	148.71	+0.4	124.88	119.13	4.26	148.07	123.16	119.12	152.31	91.16	91.24
Austria (17)	96.03	-0.9	80.64	89.26	2.40	96.95	80.64	89.22	98.18	83.72	93.40
Belgium (63)	129.00	-1.0	108.33	120.89	4.18	130.26	108.35	120.47	139.89	99.14	102.92
Canada (125)	120 20	-1.3	100.94	106.36	3.24	121.75	101.26	107.64	128.91	107.06	102.80
Denmark (39)	145.74	-1.1	122.38	136.92	2.20	147.33	122.54	136.96	148.99	111.42	111.22
Finland (26)	128.48	-0.5	107.89	113.84	1.46	129.14	107.41	113.64	139.53	106.78	–
France (130)	108.94	-0.8	91.48	104.54	3.10	109.82	91.34	104.22	109.82	72.77	86.26
West Germany (102)	85.06	-0.3	71.43	79.33	2.35	85.28	70.93	78.54	87.49	67.78	78.84
Hong Kong (46)	105.39	-0.1	88.50	105.68	4.78	105.48	87.73	105.76	111.86	84.90	81.00
Ireland (18)	132.32	-1.6	111.11	125.13	4.02	134.49	111.86	125.83	144.25	104.60	101.69
Italy (100)	83.82	-1.5	70.39	83.38	2.41	85.06	70.75	83.66	85.06	62.99	74.10
Japan (456)	173.09	-1.2	145.35	137.09	0.54	175.25	145.77	137.53	177.27	133.61	137.25
Malaysia (36)	140.13	+0.2	117.67	144.69	2.96	139.91	116.37	144.55	154.17	107.83	105.45
Mexico (13)	157.79	+0.5	132.50	393.77	1.38	157.03	130.61	391.88	180.07	90.07	191.22
Netherland (38)	109.34	-1.0	91.82	100.93	4.88	110.40	91.83	100.68	111.00	95.23	95.90
New Zealand (25)	71.73	-2.3	60.23	61.18	6.41	73.38	61.03	61.92	84.05	64.42	83.49
Norway (25)	120.16	+0.4	100.90	108.78	2.67	119.68	99.54	107.29	132.23	98.55	113.92
Singapore (26)	121.10	+0.1	101.70	110.70	2.45	120.93	100.58	110.48	135.89	97.99	97.33
South Africa (60)	116.04	-1.8	97.45	101.47	4.47	118.16	98.28	102.29	139.07	98.26	116.38
Spain (42)	149.84	-1.3	125.83	134.18	3.05	151.79	126.25	134.37	164.47	130.73	129.30
Sweden (35)	131.82	-0.3	110.70	120.99	2.36	132.23	109.98	120.49	132.23	96.92	99.67
Switzerland (56)	84.53	-1.2	70.98	78.79	2.14	85.55	71.15	78.73	86.75	74.13	81.67
United Kingdom (321)	135.94	-1.1	114.15	114.15	4.62	137.48	114.35	114.35	141.18	120.66	117.55
USA (577)	112.79	-0.9	94.72	112.79	3.58	113.86	94.71	113.86	115.55	99.19	102.17
Europe (1012)	113.23	-1.0	95.09	101.12	3.67	114.33	95.10	101.01	114.42	97.01	98.21
Pacific Basin (680)	169.37	-1.2	142.23	134.99	0.76	171.35	142.52	135.41	172.26	130.81	133.43
Euro-Pacific (1692)	146.93	-1.1	123.39	121.39	1.67	148.57	123.57	121.60	148.57	120.36	119.37
North America (702)	113.17	-1.0	95.04	112.42	3.56	114.27	95.04	113.50	116.07	99.78	102.19
Europe Ex. UK (691)	98.94	-0.8	83.09	93.21	2.92	99.78	82.99	92.90	99.85	80.27	86.21
Pacific Ex. Japan (224)	124.63	+0.1	104.66	108.68	4.40	124.50	103.55	108.76	128.27	87.51	87.34
World Ex. US (1890)	145.71	-1.1	122.36	120.81	1.74	147.34	122.55	121.06	147.34	120.26	118.82
World Ex. UK (2146)	132.71	-1.0	111.45	118.45	2.09	134.12	111.55	119.00	134.12	111.77	111.86
World Ex. So. Af. (2407)	133.09	-1.1	111.76	118.14	2.31	134.50	111.87	118.66	134.50	113.26	112.32
World Ex. Japan (2011)	113.75	-0.9	95.52	108.46	3.65	114.81	95.49	109.04	115.54	100.00	100.44
The World Index (2467)	132.98	-1.1	111.67	118.03	2.32	134.40	111.79	118.55	134.40	113.37	112.35

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition